



**City of Coral Gables
CITY COMMISSION MEETING
APRIL 26, 2022**

ITEM TITLE:

Insurance & Risk Management Advisory Board meeting minutes March 30, 2022

SUMMARY OF MEETING:

OPENING:

Chair Juan C. Diaz-Padron opened the meeting. Meeting was called to order at 8:08am. Quorum was reached. Everyone introduced themselves for the record.

MINUTES APPROVAL:

March 15, 2022, Minutes

Motion: Austin Tellam / 2nd Motion: Paul Susz

SECRETARY'S REPORT: None

BOARD MEMBERS REPORTS: None

NEW BUSINESS: None

OLD BUSINESS:

**Insurance Renewal Review – Arthur J. Gallagher
(Exhibit 1 – Executive Summary 3.29.20222)**

Ms. Elejabarrieta stated in accordance with conversation with Board Chair Mr. Diaz-Padron to commence right away into reviewing renewal premium numbers and then compare the open market to FMIT.

Ms. Perez started off with the review of insurance premiums as indicated on page 3 of Executive Summary. Ms. Perez stated that for the Property renewal premium, the Executive Summary shows a range because it is still a moving target. Ms. Perez stated they are currently restructuring the property program to increase have the 1st layer of coverage from \$10 million to \$25 million to take advantage of the lower premium rate increase at the 1st layer. The goal is to get the overall premium as close to \$1.8 million as possible. Ms. Elejabarrieta advised, if it is determined to go with the open market, they will have a not to exceed number for the Commission. City currently has \$50 million in Windstorm coverage and Total Insured Value for all other perils.

Ms. Elejabarrieta advised that the premium quoted for cyber is similar to last year, however, limits have changed to \$2 million dollars instead of \$5 million dollars. Mr. Diaz-Padron asked if the \$5 million limit is obtainable, Ms. Perez advised not as yet, as this has become a very difficult line of coverage. Ms. Perez advised a possible quote from Zurich and AIG are still pending but anticipates if quoted for up to \$5 million it will have a very large premium increase. The \$2 million quote does include ransomware and notification costs.

Ms. Elejabarrieta advised that the overall premium difference between the open market and FMIT is approximately \$280,000. However, that does not take into consideration the decreased limits FMIT has for several coverages and that the docks and bridges are not covered for wind and storm surge, and it is understood as of the time of this meeting that seawalls are not covered for storm surge. Mr. Diaz-Padron asked regarding the dedicated limits and requested Mr. George Erickson to opine. Mr. Erickson opined that a very important question is whether if faced with a major catastrophe, will FMIT be able to pay all of the claims from several members, and there is some uncertainty even though Mr. Erickson stated during one of their conversations, FMIT did state they had a loss of over \$100 million dollar due to Hurricane Michael in the panhandle and they were able to provide for that.

Mr. Diaz-Padron opined that given the comparison in the coverages and the questionable ability of FMIT to pay all claims in the event of a major storm, that he does not feel comfortable switching to FMIT at this time as his confidence level in the ability to pay claims is much higher with the open market.

Mr. Erickson stated one of his biggest concerns is FMIT not being rated by AM Best which is an independent organization that reviews a company's financial structure and severity. Mr. Erickson stated the city's current program is A-rated or better by AM Best. Mr. Erickson stated at this time basically the city kind of taking on the role of AM Best to determine for themselves if FMIT is secure enough or not to pay claims in the event of a major storm. Mr. Susz asked if FMIT was not able to pay, would the City be eligible for Florida Insurance Guaranty Association and Mr. Erickson explained that the City would not be eligible.

Ms. Elejabarrieta stated regarding FMIT, if retro dates on liability side are needed to pay for prior acts, the City would incur a cost of over \$182,000 billed over a four-year installment period. Mr. Ruiz further explained that even if city leaves FMIT after first year, the city will still have to pay \$45,526.00 for the next three years. Mr. Ruiz also explained regarding property there is an anti-concurrent clause endorsement which states that if there are two causes of loss to property, if one cause is covered and the other is not, technically the whole claim can be excluded.

At approximately, 8:45am, Chairperson Mr. Diaz-Padron due to prior engagement, had to excuse himself from meeting. Therefore, a Quorum was no longer in place and the meeting proceeded as a Workshop. No further actions, such as votes, or approvals could be conducted although 3 of the 4 board members agreed that it would be best to stay with the open market. The 4th member (Paul Susz) advised he was leaning toward the open market and but would notify us.

Workshop Discussion to follow:

Mr. Erickson stated it would be best to request FMIT remove this concurrent cause endorsement. Mr. Tellam expressed due to FMIT not being rated, he prefers the proposal from the open market.

Mr. Reshefsky asked why hasn't FMIT presented the Probable Maximum Loss (PML) models of the other members as this could be significant for the members they have in the more congested counties of Miami-Dade and Broward Counties. Ms. Elejabarrieta advised that it was requested but FMIT would only provide the PML of Coral Gables. Ms. Elejabarrieta stated FMIT did reveal they have the following cities as members in Miami Dade County: Doral, Miami Gardens, Miami Springs, Miami Shores, North Miami, Aventura, Opa-Locka, Surfside, Cutler Bay, Palmetto Bay. Ms. Elejabarrieta stated FMIT advised they have cities similar in size to Coral Gables, such as Sunrise, Boca Raton, Pembroke Pines, Coral Springs, Boynton Beach, Palm Beach Gardens, Delray Beach, Deerfield Beach, Margate, and

Hallandale Beach.

Ms. Elejabarrieta stated staff recommendation is to maintain the current program and go to commission with a not to exceed number to allow Gallagher to continue to negotiate lower premiums.

Ms. Elejabarrieta stated at this time since there is no quorum, an official vote cannot take place.

Ms. Elejabarrieta expressed staff likes to present at first April meeting.

Ms. Elejabarrieta stated for right now it is the board's recommendation that the city continue with the open market unless there are specific concerns to be addressed and then another meeting would be scheduled.

MEETING ADJORNED:

Meeting: 8:45am Converted to Workshop

Workshop completed: 8:57am

NEXT MEETING: To be determined if needed

ATTACHMENT(S):

Minutes of the March 30, 2022