



**City of Coral Gables
CITY COMMISSION MEETING
MARCH 23, 2021**

ITEM TITLE:

Insurance & Risk Management Advisory Board meeting minutes March 5, 2021

SUMMARY OF MEETING:

Board member Mr. Juan C. Diaz-Padron opened the meeting. Meeting was called to order at 9:03am. Quorum in person was not reached.

OLD BUSINESS:

Update Insurance Renewal Process – Ms. Maria Perez- Arthur J. Gallagher

In depth discussions in a period of over three hours were conducted.

A. Presentation by Arthur J. Gallagher (“AJG”) of the renewal of the current insurance program

-Maria Perez presented AJG’s Executive Summary (Exhibit 1) and went over the City’s current insurance program and the status of the insurance renewal.

-Maria also presented the difference in premiums between FMIT’s proposal and the proposal if the City continued with its current program structure, which is approximately \$800,000.

The renewal numbers that were presented were the current worst case scenario in terms of premiums, of importance to note :

-**The Package Program** renewal with the same insurance carrier BRIT, increased by 15% to \$829,500 (for a total of \$1,007,006 when you include excess workers’ compensation) due to claim history and a hardening market. A quote also was received from Safety for \$891,884 (include excess workers’ compensation) and PESLIC for \$910,100 (includes excess workers’ compensation). FMIT quoted \$822,112 but advised that this was contingent on the City also obtaining property coverage with them.

The Excess Workers Compensation renewal saw a rate increase of 7% with the incumbent carrier.

-**The Property Insurance** renewal was a premium rate increase of 4.84% despite a hardening market where some clients saw an increase of over 20%. The City informed the Board that it was in the process of having most of its properties re-indexed and those properties that were not being re-indexed were being physically appraised. The property value of the majority of the City’s properties that were reindexed increased by 13%. JC Padron asked whether the property values are based on market price or replacement cost. Maria Perez answered that the re-indexing is based on replacement costs.

Cyber Risk renewal went up 156% with another carrier (Ascent) due to market conditions. Also, the current carrier BRIT non-renewed as they are no longer offering this coverage to Municipalities. JC inquired about why this increased so much, Maria answered that the incumbent BRIT is no longer writing this coverage and the market is hard.

-Terrorism Property and Liability as well as Active Assailant renewal is still pending and awaiting a response from the insurance marketplace.

-Sports Liability was non-renewed by Scottsdale the current carrier as they are exiting the Florida market. Currently awaiting a quote from Philadelphia Insurance who currently insures the City's Sports AD&D Program.

-Pollution Liability renewal increased 2 % due to current market conditions and included 2 new exclusions for investigations and arsenic at the Granada Golf Course AJG is still working with the insurance carrier on the two exclusions pertaining to the Granada Golf Course. Gary Reshefsky advised that AJG should push back on this exclusion, Maria Perez agreed.

B. George Erickson of Siver Consultants presented the insurance program being offered by FMIT and compared it to the City's current insurance program:

George discussed the differences between the City's current insurance program and the program offered by FMIT as it relates to limits and sub-limits. Exhibit 2 contains side-by-side comparison of the limits /sub-limits for each program. This exhibit was discussed. The cells highlighted in green indicate the better coverage/limit.

-FMIT's proposal was for both property coverage and the package program. The proposal could not be bifurcated, and the City has to obtain both coverages with FMIT if it chooses to switch to FMIT.

-George then discussed other considerations that the City should consider besides premiums and limits/sub-limits. Exhibit 3 contains a summary of the considerations that were discussed. On the property side, those considerations include FMIT's financial security, lack of historical valuation, uncovered property, and asset valuations. On the liability side, those other considerations included handling of claims (e.g., settling authority, choosing attorneys, etc.), claims made issues, retroactive dates, and questionable exclusions.

JC Padron asked if we could switch to FMIT in around 6 months. Maria advised that it would not be prudent financially as the City would end up paying for most if not all of the annual property insurance premium as it would not be pro-rated. Gary advised that AJG should continue to negotiate with FMIT. JC Padron questioned as to why the City has Accounts Receivable listed in the amount of \$7.4 million as payments are made digitally.

A discussion was had on the properties that were excluded from FMIT's proposal (bridges, docks, and seawalls). JC questioned the value of the bridges regarding the need to insure them in terms of the likelihood of significant damage to the bridges.

There was also discussion on the City's property values and the status of the re-indexing and appraisals. Gary asked what was driving the increase of the City's property values. Gary was informed that the re-indexing report was being finalized and that we would get back to him. Maria also stated that they have requested a new Wind Modeling Study that includes the new Public Safety Building and removes the old one from the schedule of values.

A discussion was had on the impact of losing the retroactive dates on the liability/package coverage. JC asked whether Safety National had agreed to the City's retroactive dates – which they had per Maria Perez. David, George and Raquel were all in agreement that FMIT's proposal based on the premiums difference should be given further attention and that further discussions and work needed to be had to fully understand FMIT's proposal and how it compares to the City's current structure particularly as it relates to the claims made and retro dates on the liability side and uncovered property and historical valuation on the property side. JC and Gary also stated that FMIT should be given further consideration given the difference in premiums and

enhanced windstorm coverage.

JC inquired about the City of Coral Gables compared to other FMIT members in size, George advised the City of Coral Gables would be one of the largest members.

Discussion was had that the City would attempt to obtain a thirty (30) day extension on its current insurance program so that it has more time to vet FMIT. There was discussion concerning the short time frame that the City has to review all of the information received from FMIT and seek the proper clarifications given that there is no meeting in April and the insurance renewal must therefore go before the City Commission on March 23, 2021. The City's insurance policy term runs from May 1 to May 1.

Given the fact that most of the issues and areas that need further consideration from FMIT's proposal was on the liability side and given the short amount of time that the City had before this item went before City Commission, Raquel asked Maria to ask FMIT whether they would consider allowing the City to only obtain property coverage through them.

Meeting Adjourned: 12:08pm
Next meeting date March 10, 2020

ATTACHMENT(S):
Minutes of the March 10, 2021