



City of Coral Gables
CITY COMMISSION MEETING MARCH 23, 2021

ITEM TITLE:

Insurance & Risk Management Advisory Board meeting minutes March 10, 2021

SUMMARY OF MEETING:

Board member Mr. Juan C. Diaz-Padron opened the meeting. Meeting was called to order at 12:04PM. Quorum in person was not reached.

OLD BUSINESS:

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

Raquel advised since the last workshop held on March 5th the City was looking at three (3) options:

1. Obtain a one (1) month extension from the current carriers. The City does not have a Commission meeting in April. Because of this and the fact that the City's insurance renewal period runs from May 1st to May 1st, this item must be presented to the City Commission during the March 23rd Commission meeting. The one (1) month extension would have given the City additional time to review FMIT's proposal through the end of May and consider in detail the differences in coverages between FMIT and the City's current program structure. Unfortunately, the carriers did not provide the extension and this option is no longer viable.
2. When FMIT made its initial proposal, it advised the City that it was "all or nothing." In other words, the City had to transfer its property, package, and excess workers' compensation coverage to FMIT. The City asked AJG to ask that FMIT reconsider its position on this and provide the opportunity to the City, if it so chooses, to elect to transfer only its property coverage to FMIT. FMIT responded that it would allow the City to transfer only its property coverage (this option was discussed at length during this meeting and that discussion is summarized below).
3. Renew with the current program structure and use the next renewal period to analyze in detail and seek clarification on FMIT's program for next year.

Discussion on Option 2

FMIT provided 2 quotes for property only coverage. The first quote excluded bridges, docks, wharves, and seawalls and was \$1,132,043. FMIT also provided a subsequent quote that included bridges, docks, and wharves (seawalls remain excluded) for an additional premium of \$484,544 for a total of \$1,616,544. The premium to renew in the open market under the current program structure is \$1,653,814. The difference in premiums between FMIT's property proposal that includes bridges docks and wharves and the proposal from the open market is \$37,270, however the quote from the open market coverage does include seawalls and historical reproduction coverage

JC asked whether the property only quote from FMIT includes renewing the property insurance for years to come, or whether this property only quote was just an accommodation only for this renewal. Maria responded that it appears to be an accommodation only as FMIT has indicated they also want to insure the Package (i.e., liability and workers compensation) as well as the excess workers compensation coverage.

JC also asked about the significance of having the Historic Reproduction Coverage in light of FMIT not having that type of coverage. Maria advised that the significance of the Historical Reproduction Coverage is that it covers using materials that are of like kind and quality as opposed to regular replacement cost coverage without the Historic Reproduction Endorsement which covers using readily available materials. JC also asked about some of the buildings that have such coverage. Raquel advised that we are looking this year to expand this coverage to other locations such as the Fink building, but currently the City has that coverage for City Hall, the Merrick House, Venetian Pool, and the Museum.

Gary asked Raquel to help him recollect as to what were the issues regarding FMIT's property proposal. Raquel responded there were 3 main issues in FMIT's property insurance program: (1) lack of Historical Reproduction Coverage; (2) lack of coverage for seawalls, bridges, and docks; and (3) that FMIT conducts their own appraisal of the properties that they cover.

JC questioned the need to insure bridges, docks, and wharves and whether that is something that the City can self-insure given the amount of additional premium that FMIT was charging for this coverage (i.e., \$484,544). Maria confirmed that FMIT would not cover the City's seawalls. JC inquired about the values of these items. Calah responded that the seawalls & docks are valued at around \$4,000,000 and the bridges around \$6,000,000. The consensus of the Board was that the amount of the increase (\$484,544) of FMIT's subsequent property quote to include additional property (bridges, docks, and wharves) was disproportional with regards to the other property that was being insured. JC then asked what is the likelihood of bridges getting damaged during a significant hurricane. Maria advised that she has had other clients whose bridges incurred significant damage and were required to be re-built. JC asked whether it is possible to insure the City's seawalls, bridges, and docks separately from the other property as the increase from FMIT appears very high to add these items to the property insurance. Maria advised she would have to go to the Marine market and the premium rate would be much higher, George agreed.

JC asked if it is a concern that FMIT appraises properties using their own appraisal system and that their values would come in too high, thereby possibly increasing the premium. Raquel advised she does not know as she has not dealt with FMIT in the past as it relates to their appraisal system. Maria stated that is the City went with FMIT, FMIT stated that the City would not need to have their building re-appraised, which the City is currently doing.

Maria advised that FMIT advised that if the City selects FMIT, FMIT would eventually want to put the City on an October 1st renewal. Maria advised that that would place the renewal during hurricane season and that could adversely affect the property renewal quote from FMIT. JC advised that if that is the case, then the City should go with the open market quote, but that either way, the City would have to go with the best rate whether it is from FMIT or the open market.

JC advised that it should be looked into whether this Historical Reproduction coverage can be obtained at a reasonable price separately from the property quote provided from FMIT. Of his biggest concern is the Merrick House that has a hip roof, thereby making it more susceptible to damage from a windstorm.

Gary inquired as to how would FMIT adjust a claim that involves a historic property. George answered that it would be based on current building standards using current commonly used materials.

A discussion was also had concerning the fact that FMIT was offering \$150 million in windstorm and other perils while the City's current proposal has \$50 million in windstorm coverage and total TIV (Total Insured Value) coverage. Gary asked what the City's PML (Probable Maximum Loss) was and he was informed that the current windstorm analysis that was conducted states that the PML for a 250-year storm is \$29,586,147. The Board was informed that this analysis was conducted using the old public safety building and that a new analysis had been ordered using the new public safety building.

There was also a discussion on FMIT's finances. The Board was informed that FMIT carries a surplus of approximately \$200 million and that it was the City's understanding that they purchase reinsurance for another \$300 million. The Board was told that if FMIT becomes a viable option, the City would discuss in detail with FMIT their financial security.

Raquel advised it may not be prudent to change the property coverage to FMIT if they will not cover seawalls and historical reproduction, which is currently not excluded by the City's current property insurance program. JC Padron asked whether the City can absorb the insurance program increase in overall premium as he was concerned about the City's financial state not only for this renewal but for future renewals because he does not expect insurance premiums to decrease in following years. Raquel advised that she had a detailed conversation with the Finance Department and that the City can absorb the premium increase.

Raquel further added that the list of cities that FMIT has as clients in Miami-Dade County do not compare in size regarding their Total Insured Value to the City of Coral Gables.

A discussion was held regarding the proposal received by the City for its Package Program (i.e., liability and workers compensation). Safety National provided a quote that was less than the incumbent by over \$100,000.00. There was discussion on the differences in coverage. Maria stated that Safety closely resembles that of the incumbent BRIT with regards to liability limits, extents of coverage and retroactive dates.

Maria Perez advised she will go to BRIT and also Safety National to see if she can get better quotes. JC questioned whether the City's requirements is the reason why only a couple of quotes were received for the Package Program. George, Maria and Calah advised that the market for the Package (i.e., liability and workers compensation) does not have many options. In addition to having few companies providing this type of insurance, Calah believes that another reason may be that the competitors know BRIT is the current carrier and that some competitors may feel they can't compete with BRIT's prices and terms. JC requested that the City review its insurance requirements to determine whether there is anything that the City is requiring that is (i.e., liability and workers compensation). Safety National provided a quote that was less than the incumbent by over \$100,000.00. There was discussion on the differences in coverage. Maria stated that Safety closely resembles that of the incumbent BRIT with regards to liability limits, extents of coverage and retroactive dates.

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JC questioned the extent FMIT will cover an employee while driving a take home vehicle. George advised that the way it is written, FMIT will cover the employee only within the scope and course of their employment. JC Padron inquired as to whether the numbers presented are dead set or whether Arthur J Gallagher will continue negotiating for better terms since the renewal does not take effect for another 6 weeks (i.e., May 1st). Maria advised that they will continue negotiating, including with the incumbent BRIT whose quote is approximately \$115,000 higher than the competitor Safety National. They will also continue negotiating with Safety National.

The Board was advised that the City will continue analyzing FMIT's proposal and make a determination on the importance of insuring bridges, docks, and seawalls as well as with historical coverage.

Raquel stated that she would report back to the Board by scheduling another workshop or individually after meeting with the City Manager and advise how the City will proceed. JC advised that 2 important issues pertain to self-insuring the bridges and the lack of historical coverage under FMIT.

Meeting Adjourned: 1:59pm

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