

**City of Coral Gables City Commission Meeting  
Agenda Item I-2  
March 26, 2019  
City Commission Chambers  
405 Biltmore Way, Coral Gables, FL**

**City Commission**

**Mayor Raul Valdes-Fauli  
Vice Mayor Vince Lago  
Commissioner Pat Keon  
Commissioner Michael Mena  
Commissioner Frank Quesada**

**City Staff**

**City Manager, Peter Iglesias  
City Attorney, Miriam Ramos  
City Clerk, Billy Urquia  
Risk Manager, David Ruiz**

**Public Speaker(s)**

**Tony Abella, Arthur J. Gallagher**

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**Agenda Item I-2 [12:11:26 p.m.]**

A Resolution authorizing the renewal of the Property and Casualty Insurance Program, which includes, but is not limited to, property, liability, automobile liability, public officials errors and omissions, excess workers' compensation, crime, cyber liability, terrorism property and liability, pollution liability, active assailant, flood, as well as other ancillary lines of insurance coverage and insurance broker fees through Arthur J. Gallagher Risk Management Services, Inc. for a not to exceed amount of \$2,202,620 for the policy period of May 1, 2019 to April 30, 2020 (Funding Source: Insurance Fund).

Mayor Valdes-Fauli: I wish to take I-2 now, which is the Property and Casualty Insurance Program, Mr. City Manager.

City Attorney Ramos: Just give me a minute to read it in sir. I-2 is a Resolution authorizing the renewal of the Property and Casualty Insurance Program, which includes, but is not limited to,

*City Commission Meeting  
March 26, 2019*

property, liability, automobile liability, public officials errors and omissions, excess workers' compensation, crime, cyber liability, terrorism property and liability, pollution liability, active assailant, flood, as well as other ancillary lines of insurance coverage and insurance broker fees through Arthur J. Gallagher Risk Management Services, Inc. for a not to exceed amount of \$2,202,620 for the policy period of May 1, 2019 to April 30, 2020.

Mayor Valdes-Fauli: Mr. City Manager.

City Manager Iglesias: Mr. Mayor, this is property and casualty insurance. There was a unanimous vote by the Insurance and Risk Advisory Board; and we have our Risk Manager and the company here. I see no issues with this policy. We have complete insurance for our buildings and the insurance for hurricane damage is (\$50,000,000) fifty million dollars.

Mayor Valdes-Fauli: Alright. Do I hear a motion?

Commissioner Lago: Can I ask just a few quick questions in regard to this motion? When you mentioned – I sat down with my appointment to the Insurance Advisory Board and one of the questions that was asked to me was, why the Biltmore was not covered. Why don't we pay for the Biltmore insurance since its our asset, how come we are not, its not covered under our umbrella policy?

City Manager Iglesias: They are covered under the agreement. They provide their own insurance coverage.

Commissioner Lago: Is it?

City Manager Iglesias: Yes.

Commissioner Lago: Well, why isn't it covered under us, don't you think... since it's a City asset, it's the largest City asset that we have.

City Manager Iglesias: Well, its an internal agreement that's why.

Vice Mayor Quesada: I would imagine the lease to contemplate that they have to maintain their own model.

Commissioner Lago: Do we get a chance to take a look at that lease agreement and make sure they have the proper insurance?

*City Commission Meeting  
March 26, 2019*

Commissioner Mena: As long as we make sure, yes.

Commissioner Lago: Have we done that before? Can anybody tell me that or no?

Risk Manager Ruiz: David Ruiz, Risk Manager. Yes, we've done that before. I believe the lease runs approximately 99 years on that.

Commissioner Lago: No, but I'm saying, have you had the Property Advisory Board review the Biltmore insurance policy to make sure that its up to par and that we received their approval?

Risk Manager Ruiz: Oh, no, not the Insurance Advisory Board. I reviewed it and also our insurance consultant, George Erickson from Siver.

Commissioner Lago: Mr. City Manager can you do me a favor, can you have that go before the Property Advisory Board in the next meeting?

Commissioner Mena: Property Advisory or Insurance Advisory?

Commissioner Lago: Excuse me, thank you, Insurance Advisory Board. Thank you, Commissioner Mena.

City Manager Iglesias: I will.

Commissioner Lago: I want to make sure it goes before the Board and I want them to have a real thorough review of that.

City Manager Iglesias: I will do that.

Commissioner Lago: Because I know they are making a lot of upgrades and we've committed as a Commission million of dollar okay, millions of dollars to make sure those upgrades are done, and I want to make sure that's up to par.

City Attorney Ramos: There is a review process in place, to that point, and we are actually in the process of putting together the agreements for the review of what is included in the money that we are giving them and then they are actually the right renovation. So, we are also looking at that.

Commissioner Lago: And I have a few other points I want to make. So, I was looking, and I was asking questions, again, I'm not an insurance professional, I just pay a lot of GL and Workers' Comp at the firm that we're at. I want you to explain to me a little bit about the process that we have here to select our insurance advisor. How do we get to where we are today?- because I see that we haven't had an RFP/RFQ since 2015 and we have about two million dollars' (\$2,000,000) worth of policies, correct, a year?

Risk Manager Ruiz: That's correct – approximately \$2.2 million.

Commissioner Lago: We are a pretty significant entity, so for example, my contracts with different entities, both public and private, they do an RFQ every two years, every three years. So, I want to understand why we are extending currently. Is there a reason why, or there?

Risk Manager Ruiz: I don't have that contract in front of me.

Commissioner Lago: I do.

Risk Manager Ruiz: Okay, but we are happy with the services provided by Arthur J. Gallagher and that's perhaps the reason for the extension for the contract.

City Manager Iglesias: It's been how many years since you have used the same fee?

Commissioner Lago: 2015.

City Manager Iglesias: Would you address...

Risk Manager Ruiz: The same fee – about six years.

City Manager Iglesias: The same fee continues.

Commissioner Lago: But let me ask you a question, since we are talking about fees and this is something that I was very interested in. The way that insurance works in my understanding is that there is like a trigger amount, like if you pay two million dollars (\$2,000,000) in policies, it's not a flat fee, that's not the way that it works. It's standard – it's usually paid on a commission base, correct?

Risk Manager Ruiz: Well, no. In our case it's a flat fee.

*City Commission Meeting  
March 26, 2019*

Commissioner Lago: I know, but I'm saying in most cases its commission based. Like for example, when I paid for my house insurance or my property insurance, it's a 10 to 15 percent commission fee that gets paid every single year. Why are we using a flat fee?

Risk Manager Ruiz: Well, we just felt a flat fee was more predictable and with the advice of our consultant, we believe it's a reasonable fee.

Commissioner Lago: Are we 110 percent sure that we are not paying a flat fee and a commission also?

Tony Abella, Risk Consultant: We always certify, and our records are open to the City and we certify absolutely that we do not earn any commissions and if there are any commissioners awarded by any policy the commissions are credited back against the fee so that the fee remains the total amount.

Commissioner Lago: Let me ask you a question. Isn't there a state statute that states that that's not allowed? I thought everything had to be done via commission that you couldn't use a flat fee.

Mr. Abella: No. We use a flat fee. Most entities in the State work on a flat fee basis; the flat fee offers the advantage to the City that any insurance that we recommend is never connected to us making a fee higher or lower. It's always working on a flat fee basis. If you look at the County, the School Board, the cites, every public entity, the State of Florida, every large institution even private institution like, for instance, the Archdiocese of Miami, everybody work on a free-fee based on large insurance placements.

Commissioner Lago: Can you do me a favor, Mr. City Manager in the next meeting, I'd like to see Mr. Gallagher present the flat fee structure and what other municipalities are doing this. I want to make sure exactly that we are doing this the correct way.

City Manager Iglesias: Yes.

Commissioner Lago: And I want to see that affidavit that there are no commissions, which I think is critical. So, I have another question...

City Manager Iglesias: Because there are no commissions and it allows them to whatever companies are cheapest...as far as commission based.

Commissioner Lago: Another issue when I spoke to, just give me on second, when I spoke to my appointment, I spoke to two appointments on the Insurance Advisory Board, it was mentioned to me that on the RFP when we went out in 2015, the Risk Management Insurance Broker that there was some verbiage, some language that detailed that you needed to have both local and across the United States experience. What is the reason for that? I think that that alienates a lot of people from competing so that we could get the best bang for our buck. When you mention across the United States, can I have a business here in South Florida and put a P.O. Box in Alabama? Can I have a P.O. Box in New York and say that I have an office there or rent a smaller office in a building there for five hundred dollars (\$500.00)? What does that point, number 12 on page 17 of 68 of the RFP, it seems to me and I've dealt with this before, when I've dealt with a lot of RFPs and RFQs that it is put in there to alienate certain entities from becoming involved, and I think it chills competition. Can you take a look at that also and make sure that that gets dealt with also? I want an answer in regard to that because I think that's important. In reference to the structure of how we review our insurance. So, we have a Risk Manager, we have a Risk Manager and slash Labor and Risk Manager, we have two individuals that work in the City. We have a five-member professional insurance and risk management advisory board, which give up hours if not days of their time on a yearly basis to ensure the City is properly insured. We have a national broker Arthur J. Gallagher, and we also have an entity called Siver, which I read through their proposal. What I need to understand is, with all those oversights, do we really need this much, do we really need to spend this much money on oversight. Is there a possibility to cut back and maybe have some savings? Are we getting the best bang for our buck? If we have a national broker, shouldn't the national broker be doing what Siver is providing us? Do we need a fourth layer of redundancy? – And I'm all for redundancy, but when you've got...

Vice Mayor Quesada: It seems excessive here.

Commissioner Lago: It seems excessive. When you have Risk Management, Labor and a Risk Manager, you have a five-member professional board, you have a national broker and then you have this company Siver, which if you read here, they gave the report March 18th, I want to understand why redundancy is there so much. What is the need for that? I know this was done before you got here, but these are things that I want to clarify now, or we could shave a little bit of fat and figure out how to maybe use that money for some other things that could pay dividends or we could buy more insurance to protect us with the money that we are paying – different things. I just want to find out.

City Manager Iglesias: We'll look at that also.

Commissioner Lago: Do me a favor. I want this all before, if my colleagues will support me, I want this all sent to the Property Advisory Board.

Commissioner Mena: Insurance.

Commissioner Lago: I don't know why I thought Property Advisory – Insurance Advisory Board and I would like all this in a memo of some sort sent to the Commission.

City Manager Iglesias: It's a very good idea Commissioners is to have a third party look at our insurance and make sure that that third-party insurance is...[inaudible]...two hundred and seventy million dollars (\$270,000,000.00) in insurance. As far as our buildings, we are looking at about fifty million dollars (\$50,000,000.00) as far as hurricane insurance. We are looking to up that but its extremely expensive. As we get new buildings in the infrastructure, the insurance looks better since the buildings that have a higher risk, including this building and insuring our historical in our older buildings. As we get the Public Safety Building, as we get the new Fire Station 2...our buildings, the insurance is going to look better. So, I do think that that is just a third party look to make sure that when we go to the Insurance/Risk Advisory Board that we get a third party looking at this, independent party, we have about two hundred and seventy million dollars (\$270,000.000.00) of liability.

Commissioner Lago: Listen, I'm not doubting that, and I like to have redundancy, but in this case it's a lot of layers. And I find it hard to believe, I really want, and I want to see if this Commission will support me, we need to go to RFP, we need to go to RFQ, all our vendors. Everybody needs to go to RFQ, okay. Nobody can have a free ride here for 8, 7, 6, 10 years. There has to be a qualification here. There has to be a time where we can go to market and we can see what the value is. There is no way that with two million dollars (\$2,000,000.00) in premiums that nobody wants this job. I don't know if it's maybe the national verbiage that's put into the contract that – we have a lot of great insurance companies here in South Florida that may not have a national presence, but I think they'd be interested in providing us coverage.

City Manager Iglesias: We will absolutely take a look at that for the next coverage. We are going into hurricane season and I'd like to be covered, but we will certainly look at all these aspects, including RFP.

Mayor Valdes-Fauli: Those are very good points.

Commissioner Lago: Let's make sure it goes before our Insurance Advisory Board.

*City Commission Meeting  
March 26, 2019*

Mayor Valdes-Fauli: You make a motion?

Commissioner Mena: Yes, I will, and I just want to add, can you please when it goes to the Insurance Advisory Board, give them a transcript of Commissioner Lago's comments today. He obviously took the time to go through this and articulate some of his concerns. I want to make sure they know exactly what his concerns are, and they can address them.

City Manager Iglesias: We will do that Commissioner.

Commissioner Mena: Thank you.

Mayor Valdes-Fauli: OK. We have a motion?

Commissioner Mena: Motion.

Commissioner Lago: Second.

Mayor Valdes-Fauli: Will you call the roll please?

Commissioner Lago: Yes

Commissioner Mena: Yes

Vice Mayor Quesada: Yes

Mayor Valdes-Fauli: Yes

(Vote: 4-0)

Commissioner Keon: Absent

[End: 12:24:16 p.m.]