

DRAFT
INSURANCE ADVISORY BOARD
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
REGULAR MEETING
FRIDAY, DECEMBER 16, 2022 – 8:00 a.m.

MEMBERS	ATTENDANCE	CUMULATIVE	
		1/22 – 12/22	PRESENT ABSENT
Mark Schwartz, Chair	P	4	1
Joe Piechura, Sr., Vice Chair	A	3	2
Steve Botkin	P	5	0
David Cooley	P	4	1
Ted Hess	P	5	0
Jonathan Perrillo	P	4	1

Staff

Guy Hine, Risk Manager
Matthew Cobb, Assistant Risk Manager
Paul Dawson, Public Risk Insurance Advisors

Communications to City Commission

None.

1. Roll Call (including number of appointed members and quorum)

Chair Schwartz called the meeting to order at 8:03 a.m. All members attended in person. As of this date, December 16, 2022, there are six (6) appointed members to the Insurance Advisory Board, which means four (4) would constitute a quorum. Roll was called and it was determined there was a quorum at this time.

2. Approve Minutes

Motion made by Mr. Botkin, seconded by Mr. Hess, to approve the minutes of the October 5, 2022 meeting. In a voice vote, the **motion passed** unanimously (4-0).

3. Communications to City Commission

None.

4. Unfinished Business

None.

5. New Business

- **Motion to Approve Property Insurance Not to Exceed Premium Quote**

Mr. Hine provided a brief introduction on the history of the City's property insurance policy and some of the challenges the City was facing with this year's policy renewal due to market conditions and then advised that Mr. Dawson would provide more details.

Mr. Dawson provided a review of the current property insurance market, explaining the continuing evolution of rates. He outlined that rate increases for 2022 within the Florida public sector ranged from 15% to 25% on average. Total catastrophic losses in the U.S. have exceeded \$100 billion for the last three years which has resulted in carriers reducing risks. Losses from Hurricane Ian in Florida are expected to exceed \$50 billion making it the second costliest event after Hurricane Katrina.

He advised that prior to Hurricane Ian the property markets were already being impacted by increased building costs, supply chain issues, inflation, and the war in Ukraine. As a result, Hurricane Ian accelerated rate increases from a projected 20% range to a 40% range or higher for 2023. This is a result of carriers reducing exposure leading to less capacity for coverage and increasing of premiums.

The City is facing challenges for the 2023 renewal of securing missing capacity for the current coverage limits of \$50 million on non-utility and \$25 million on utility, negotiating coverage terms, and securing a reasonable premium. He outlined the approach to responding to rate increases within the market and reviewed the coverage and premium quote.

Mr. Dawson advised that they were exploring all options for securing a not to exceed premium quote for the City's policy renewal on February 1, 2023 and would continue negotiating with the carriers to secure the best premium. Many carriers were not willing to provide guaranteed quotes until after their reinsurance contract renewals occur on January 1, 2023.

Currently, the carriers are quoting policy renewal coverage limits of \$50 million on non-utility and \$15 million on utility, which is a reduction of \$10 million in the utility coverage limits. In addition, the prior deductibles were \$50,000 for all other perils and \$5 million for named windstorm on the non-utility policy, and \$5 million for all perils on the utility policy. Presently, the carriers are quoting a named windstorm deductible of 7.5% of the total insured value per structure with a minimum of \$5 million for the utility policy.

These changes to the policy limits and terms have resulted in a not to exceed premium quote for 2023 of \$3,585,608, which is a 43% increase above the premium for 2022 of \$2,499,564. Discussion ensued among the Board regarding the overall 43% increase and the individual components of coverage.

Mr. Dawson discussed a rate comparison with other municipalities, including utility and non-utility coverage, terrorism, and boiler. Discussion continued regarding claims made

as well as flood insurance. The City's probable maximum loss evaluation for property claims has a 250-year coverage limit of \$23 million and a 500-year coverage limit of \$35 million. Currently, the State of Florida Citizens Insurance Company utilizes a 100-year coverage limit benchmark. The Board discussed the impacts of lowering the coverage limits on the property policy and potential premium savings versus exposure.

Chair Schwartz reminded the Board that previously the City had coverage limits of \$15 million for named windstorm in the past when FM Global was the insurance carrier and bought higher limits as they became available and affordable. He suggested that the City explore the parametric wind probabilities in addition to the probable maximum loss evaluation for property claims.

He recommended that Mr. Dawson explore renewal terms for the proposed coverage limits of \$50 million on the non-utility policy and \$15 million on the utility policy, in addition to terms of \$25 million on the non-utility policy, based upon the Board's discussions.

Mr. Dawson advised that he would secure an updated quote comparison as suggested by Chair Schwartz, and confirmed that after the January 1, 2023 reinsurance contract renewals the not to exceed premium might be more favorable for the City. In addition, the carriers providing coverage to the City could shift significantly.

Discussion among the Board followed on delaying a vote on the property insurance premium quote until the January Board meeting, considering the complexity of the year's policy renewal and to allow for an updated limits, terms, and pricing comparison.

Motion by Mr. Hess, seconded by Mr. Perrillo, to delay approval on the property insurance not to exceed premium quote until the January 4, 2023 meeting. In a voice vote, the **motion passed** unanimously (5-0).

DRAFT
INSURANCE ADVISORY BOARD
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
REGULAR MEETING
WEDNESDAY, JANUARY 4, 2023 – 8:00 a.m.

MEMBERS	ATTENDANCE	CUMULATIVE	
		1/23 – 12/23	PRESENT ABSENT
Mark Schwartz, Chair	P	1	0
Joe Piechura, Sr., Vice Chair	P	1	0
Steve Botkin	P	1	0
David Cooley	P	1	0
Ted Hess	P	1	0
Jonathan Perrillo	P	1	0

Staff

Guy Hine, Risk Manager
Matthew Cobb, Assistant Risk Manager
Paul Dawson, Public Risk Insurance Advisors

Communications to City Commission

None.

1. Roll Call (including number of appointed members and quorum)

Chair Schwartz called the meeting to order at 8:20 a.m. All members attended in person. As of this date, January 4, 2023, there are six (6) appointed members to the Insurance Advisory Board, which means four (4) would constitute a quorum. Roll was called and it was determined there was a quorum at this time.

2. Approve Minutes

None.

3. Communications to City Commission

None.

4. Unfinished Business

None.

5. New Business

None.

6. Open Discussion – Old/New Business

- **Motion to Approve Property Insurance Not to Exceed Premium Quote**

Mr. Hine provided a brief overview on the discussion from the December 16, 2022 meeting on the City's property insurance policy and then advised that Mr. Dawson would provide more details on the updated premium quote.

Mr. Dawson provided a review of the current property insurance market, explaining the continuing evolution of premium rates. He outlined the City's prior 5-year property policy premiums and percentage changes as follows: 2018 was \$1,624,436 for an 8% increase, 2019 was \$1,801,501 for an 11% increase, 2020 was \$2,060,079 for a 14% increase, 2021 was \$2,379,086 for a 15% increase, 2022 was \$2,499,564 for a 5% increase. The policy coverage limits for 2018 to 2022 were \$50 million on non-utility and \$25 million on utility.

He advised in a recap of December meeting discussion that the property market is facing challenges from Hurricane Ian, increased building costs, supply chain issues, inflation, and the war in Ukraine. However, after the January 1, 2023 reinsurance contract renewals he was able to obtain more attractive guaranteed quotes from the carriers. The proposed options are not to exceed premium quotes for the City's policy renewal on February 1, 2023, but he would continue negotiating with the carriers to secure the best premium.

As discussed in December, the City's probable maximum loss evaluation for property claims has a 250-year coverage limit of \$23 million and a 500-year coverage limit of \$35 million, while the State of Florida Citizens Insurance Company utilizes a 100-year coverage limit benchmark. The probable maximum loss is an estimation of the costliest claim likely to occur every 100-years, 250-years, or 500-years. He recommends using the 250-year coverage limit to ensure that the City meets guidance for insurance coverage on state and federal disaster reimbursement.

There has been no change on the quote for coverage limits of \$15 million on the utility policy, which is a reduction of \$10 million. However, this amount still provides the City with sufficient per loss coverage for these hardened utility structures. In addition, the deductibles on the non-utility policy remain \$50,000 for all other perils and \$5 million for named windstorm. However, the utility policy quote has a named windstorm deductible of 7.5% of the total insured value per structure with a minimum loss of \$5 million.

Mr. Dawson explained that based upon the Board's direction from the last meeting, he obtained a comparison quote on proposed coverage limits of \$25 million on the non-utility policy and \$15 million on the utility policy, in addition to the prior \$50 million on the non-utility policy and \$15 million on the utility policy quote.

As a result, the not to exceed premium quote for \$50 million on the non-utility policy and \$15 million on the utility policy for 2023 would be \$3,585,608, which is a 43% increase. In comparison, the not to exceed premium quote for \$25 million on the non-utility policy and \$15 million on the utility policy for 2023 would be \$2,981,532, which is a 19% increase.

Mr. Dawson discussed how these rates compare with other municipalities, including utility and non-utility coverage, terrorism, and boiler. Discussion ensued among the Board regarding the increase proposals and the individual components of coverage.

Chair Schwartz suggested that based upon the City's 250-year probable maximum loss evaluation for property claims of \$23 million that the Board consider securing coverage of \$25 million on the non-utility policy. He advised that previously the City had coverage limits of \$15 million for named windstorm and bought higher limits as they became available and affordable. In the current market, it makes sense to decrease the limits to secure sensible coverage at affordable premiums. He asked how much the City had budgeted for property insurance premiums in 2023.

Mr. Cobb advised that \$2,745,565 was the budgeted figure for 2023, which was an anticipated 10% increase above the 2022 premium based upon the five-year average annual premium increase of 11%. At the not to exceed quote of \$3,585,608 in premium there would be a budget deficit of \$840,043 and at the quote of \$2,91,532 in premium a budget deficit of \$235,967.

The Board proceeded to discuss Chair Schwartz's suggestion on coverage limits, the probable maximum loss evaluation, and the advantages of premium savings versus reduced limits. The Board reached a consensus that since the City's 250-year probable maximum loss was \$23 million that purchasing coverage at \$25 million for a premium savings of \$604,076 was the most beneficial option for the City.

Motion by Mr. Hess, seconded by Mr. Piechura, to purchase property insurance at a \$25 million on the non-utility policy and \$15 million on the utility policy for 2023 at a not to exceed premium of \$2,981,532. In a voice vote, the **motion passed** unanimously (6-0).