Town of Davie

Insurance Presentation

by

Michael Madden

Introductions

- Michael Madden
  - Director of Public Risk Services, FLC
- Chuck Wilde
  - Account Executive, FLC
- Bruce Johnson, Esq.
- Mayor Sam Ferreri
  - Mayor, City of Greenacres
  - FMIT Trustee
- Commissioner Frank Ortis
  - Commissioner, City of Pembroke Pines
  - FMIT Trustee

Florida Municipal Insurance Trust

- Insuring Cities since 1978
- Administered and Sponsored by FLC
- Full service insurer
- Over 500 members
- Risk Sharing Pool
- None assessable
- Insured the Town of Davie for 25 years

Purchasing Decision

- Best Product
- Competitive Pricing
- Experience
- Professional
- Financial Strength
- Stability
- Commitment

Experience

- FLC incorporated 75 years ago.
- Insuring Florida governments for 25 years.
- The largest insurer of governments in FL.
- One of the first risk sharing pools in the USA.
- The second largest governmental pool in the USA.

Professional

- Over 100 years of experience in each department
- 4 CPAs
- 5 Internal Lawyers
- 2 CPCUs
- 2 ARMs
- 4 Loss Control professionals

Financial Strength

- $280 million in assets
- $100 million in premium
- $40 million in surplus
- Independent Audits
- Independent Actuarial Studies
- Sound Reinsurance Structure
  - AIG, Royal, Hartford, NLC Mutual

Best Product

- No claims made policies
- Deductibles only apply to judgments
- Defense cost are in addition to limits
- $1 million limit for inverse condemnation claims
- No windstorm deductibles
- Terrorist acts and mold are covered
- Guaranteed Cost
- Nationally Recognized Fraud Unit.

Intangibles

- Spreading of Risk
  - Geographic
  - Demographic
- Experienced defense attorneys
- Creative plan options
  - Fully Insured, Deductibles, Self Insurance
- Reasonable Payment Plans
- Seminars, conferences, training information

Competitive Pricing

- Consultant recommended the FMIT in 2002
- Economies of size
- Guaranteed Cost- No Assessments
- No tail files to handle when you leave
- Dividends/Incentive credits
- Experienced rated
- Retention of members – based on premium? What does that mean?

Commitment to Cities

- Florida League of Cities
  - Educational Opportunities
  - Legal briefs
  - Research
  - Advocacy
- National League of Cities
- Broward League of Cities

Questions

- What happened to BIRMA and FIRMA?
- If SERMA's structure has so many benefits why did Wilton Manors, Oakland Park, Lake Park, and Lantana leave?
- Why did Greenacres and Jupiter leave FIRMA?
- Why did North Lauderdale not join SERMA when BIRMA was disbanded?
- How does the assessment work?
- What happens when a member leaves?

Summary

- Consistency
- Dependability
- Stability
- Predictability
- No assess ability
- Commitment to local governments

TOWN OF DAVIE

RISK MANAGEMENT & INSURANCE

WORKSHOP

September 15, 2003

DANIEL J. LUTZKE, CSP, CDS, ARM
Risk Manager

Synopsis of Qualifications

Over 25 years experience in Loss Prevention and Risk Management.

DEGREES

AS Degree in:	Criminal Justice	-	Pima Community College
BS Degree in:	Public Administration	-	University of Arizona
MS Degree in Finance:	Insurance & Loss Prevention	-	University of Arizona

CERTIFICATIONS

Associate In Risk Management (ARM)	-	Insurance Institute of America
Certified Safety Professional (CSP)	-	Board of Certified Safety Professionals American Society of Safety Engineers
Certified Director of Fleet Safety (CDS)	-	National Committee for Motorfleet Supervisor Training Michigan State University/American Trucking Association

LICENSES

Florida, Independent Adjuster - All Lines (520) No.: D001571

Florida, Agent - General Lines - Property & Casualty (220) No.: D001571

MEMBERSHIPS / ASSOCIATIONS

Public Risk Management Association	PRIMA South Florida Chapter, Treasure
Risk & Insurance Management Society, Inc.	RIMS
American Society of Safety Engineers	ASSE South Florida Chapter, President - 1997/1998 Safety Professional of the Year - 1998
Workers Compensation Claims Professionals	WCCP of Florida
Ft. Lauderdale Claims Association	FLCA

GOVERNMENTAL RISK MANAGEMENT MANUAL

Nestor R. Roos, DBA
Professor of Insurance
Director Safety Management Program
Co-Chairman Governmental Risk Management Seminar
University of Arizona

- EXCERPT -

Risk Management Purposes

I. Objective:

The municipality's policy with respect to the management of *all* risks of accidental loss shall have as its objectives:

(a) The protection of the municipality against the financial consequences of accidental losses which are catastrophic in nature.
(b) The preservation of municipality assets and public service capabilities from loss, destruction, or depletion.
(c) The minimization of the total long-term cost to the municipality of all activities related to the identification, prevention and control of accidental losses and their consequences.
(d) The creation of a system of internal procedures providing a constant reassessment of fluctuating exposure to loss, loss bearing capacity and available financial resources, including insurance.
(e) The establishment, to the extent possible, of an exposure-free work and service environment in which municipal personnel as well as members of the public can enjoy safety and security in the course of their daily pursuits.

II. Risk Management Functions:

The Risk Manager shall have authority and responsibility for:

(a) Identification and measurement of all risks of accidental loss.
(b) Selection of appropriate Risk Management Technique for resolving exposure problems, i.e., (1) Risk Assumption; (2) Risk Reduction; (3) Risk Retention; (4) Risk Transfer; or (5) Other Systems, as appropriate, including the purchase of insurance.
(c) Developing and maintaining an information system in coordination with existing systems for timely and accurate recording of losses, claims, insurance premiums and other risk-related costs and information.
(d) Allocation of insurance premiums, uninsured losses and other risk costs to the budgetary units.

NOTE

The Town of Davie tempers paragraph II by use of the Bid Process and an Insurance Bid Review Committee for the selection of an insuring method and the placement of Insurance coverage's. The final ranking of the proposers is then passed on to the Council for their approval.

TOWN OF DAVIE
HUMAN RESOURCE MANAGEMENT
RISK MANAGEMENT

SCHEDULE OF INSURANCE IN FORCE

FY: 10/01/2002 thru 09/30/2003

	COVERAGE	Company & Policy No.	Limits		Deductible
1.	**General Liability**	SERMA-12	Ea Person:	$ 100,000	0
	Auto Liability		Ea Occurrence:	$ 200,000	
	Watercraft Liability				
	Public Official Liability		Specific Excess:	$1,000,000	
	Employment Practices Liability				
2.	**Crime**	SERMA-12			
	Employee Theft		Per Loss:	$1,000,000	$1,000
	Depositors Forgery or Alteration		Per Loss:	$ 100,000	$1,000
	Theft, Disappearance & Destruction (Money, Securities)		Per Loss:	$ 100,000	$1,000
	Computer & Funds Transfer Fraud		Per Incident:	$1,000,000	$1,000
3.	**Workers' Compensation**	SERMA-12	FS-440 Statutory Benefits		0
	Employers Liability			$1,000,000	0
4.	**Real Property**	SERMA-12		$38,609,126	$ 1,000
	Personal Property			$ 3,650,741	3% Windstorm
			Actual varies per location		
	Business Income & Extra Exp.			$ 2,000,000	$25,000
5.	**Pollution Liability**	Illinois Union	Per Claim:	$ 2,000,000	$25,000
	(Public Utilities)	PPL G21740020	Total All Losses:	$ 4,000,000	
6.	**Boiler & Machinery**	SERMA-12	Per Acc:	$30,000,000	Combined W/PD
	a. Bus Interruption:	(Through Travelers Ins)		Combined with/PD	24 Hours
	b. Ammonia Contamination:			100,000	
	c. Expediting Expenses:			100,000	
	d. Hazardous Substances:			100,000	
	e. Ordinance or Law:			100,000	
	f. Newly acquired locations:			500,000	
7.	**Storage Tank Pollution Liability**	AIG - FPL7508538#1	Ea Incident:	$1,000,000	$10,000
			Aggregate Limit:	$1,000,000	
8.	**Flood Insurance**	SERMA-12	Varies Per Location -	Building	$ 500
		(Through FCIC)		Contents	$ 500
		Flood Coverage currently provided for 12 buildings.			
9.	**AD&D for Police & Fire Personnel**	SERMA-12	Statutory Limits ($75K-Death)		0
	(Coverage for Hazardous Duty Death or Dismemberment)				
10.	**Team Sports Acc & Lia. Ins.**	NRPA			
	Youth Football Leagues	# 4409			
	Youth Basketball, Baseball, Hockey, Soccer	# 4409	Excess Medical/Dental	$ 250,000	0
			AD&D	$ 25,000	0
			Bodily Injury, PD & PI	$2,000,000	$ 200 Participant

DJL attachment: 1

Additional Premium Payments - Made For Plan Year 01/02 and Prior years.

Plan Year	(FY)	96/97	97/98	98/99	99/00	00/01	01 to 02		
Deductible	Total To Date:	$189,236.70	$232,167.96	$233,182.77	$268,035.65	$123,629.02	$ 192,916.05		
				Add'l Statutory Police & FF Life Ins:			$ 1,399.00		
				Assessment for Police W/C - 4th quarter:			$ 55,493.00		
				Year End Audit Additional Premium:			$ 152,931.00		
			Total Additional Premium Paid to FMIT for 2001/2003:				$ 402,739.05		
									TOTAL
Paid During FY- 02/03		*$ 47,696.50*		*$ 13,307.10*	*$ 20,976.67*	*$ 1,446.10*	*$ 192,916.05*		$ 276,342.42

SERMA - FMIT Insurance Cost Comparison

	1	2	3	4	5	6
	Last FY : Actual		This FY Year: Quoted			
	FMIT	FMIT Maximum W/C Deductible: Stop Loss	FMIT Quoted	FMIT Maximum W/C Deductible: Stop Loss	Current Program SERMA	Current Savings SERMA SAVINGS
Plan Year:	FY: 01 / 02	FY: 01 / 02 (25K per Incident)	FY: 02 / 03	FY: 02 / 03 (25K per Incident)	FY: 02 / 03	FY: 02 / 03
Quoted Premium:	$ 1,519,522.00		$ 1,826,174.00		$ 2,185,000.00	
Police W/C Premium Assessment:	$ 55,493.00				0	
Current Paid W/C Deductible:	$ 192,916.05				0	
Premium Audit:	$ 152,931.00		$ 225,000.00		0	
Current Total Paid:	$ 1,920,862.05					
Projected W/C Deductible Payments:	$ 75,000.00	*$ 769,708.00*	$ 350,000.00	*$ 1,080,935.00*	0	
(Note: 01/02 Based on Loss Runs)		*Aggregate S/L*		*Aggregate S/L*		Actual SAVINGS
Actual Cost:	$ 1,995,862.05		$ 2,401,174.00 (Projected)		$ 2,185,000.00	*$ 216,174.00*
Excess Over Quoted Premium:	$ 476,340.00		$ 575,000.00		0	Potential Savings
WORST CASE: Potential Cost:	$ 2,497,654.00 *Quoted*		$ 3,132,109.00 *Quoted*		$ 2,185,000.00	*$ 947,109.00*

South East Risk Management Association

Presentation to Town of Davie

- September 15, 2003 -

SERMA

Coconut Creek

Employers Mutual, Inc.

Contents

- SERMA Overview
- P&C Insurance Coverage
- SERMA Member Services
- Financial Strength
- Closing Remarks

SERMA Overview

- Comprehensive P&C risk management program established in 1994 to serve Florida municipalities
- Created through an interlocal agreement as provided for in Chapter 163 of the FL Statutes
- Current SERMA members:
  - City of Coconut Creek
  - City of Lake Worth
  - City of Parkland
  - Town of Davie
  - Town of Lake Clarke Shores
  - Village of North Palm Beach
- Governed by Board of Directors comprised of member organizations
  - Equal representation on Board by each member
  - Bi-monthly meetings to decide SERMA business, alternating between member sites
  - Board review and approval of all matters impacting SERMA and its members
- P&C insurance provided by SERMA includes workers' compensation, property and liability
- Risk exposure is managed through excess of loss insurance policies
- Financially sound program with strong balance sheet and stability of results
- Guided by conservative management practices; consistent with member organizations
- Administration is focused on personalized service, with full participation by members

P&C Insurance Coverage

- SERMA purchases excess of loss insurance to manage its risk exposure
- EMI provides brokerage and consulting services to SERMA
- SERMA provides coverage for the following risks:
  - Property
    - Includes buildings, contents, EDP equipment, auto and business interruption
  - Flood
    - All zones except zone A (provided by national flood insurance program)
    - Pays premiums for all separate zone A flood policies
  - Boiler & Machinery
  - Crime
  - General Liability & Auto Liability
  - Public Official Liability & Employment Practices Liability
  - Workers' Compensation
  - Premiums for Police and Fire AD&D

SERMA Member Services

- Comprehensive risk management services are provided by SERMA's administrator, EMI

- Claims administration services
  - SERMA-dedicated team, with at least 10 years of experience serving public entities
  - Integrated claims management, with active participation by members (e.g., defense counsel selection, claim strategy, etc.)
  - Personalized service, including frequent interaction with adjusters, on-site claim review meetings, accident investigations and mediation support

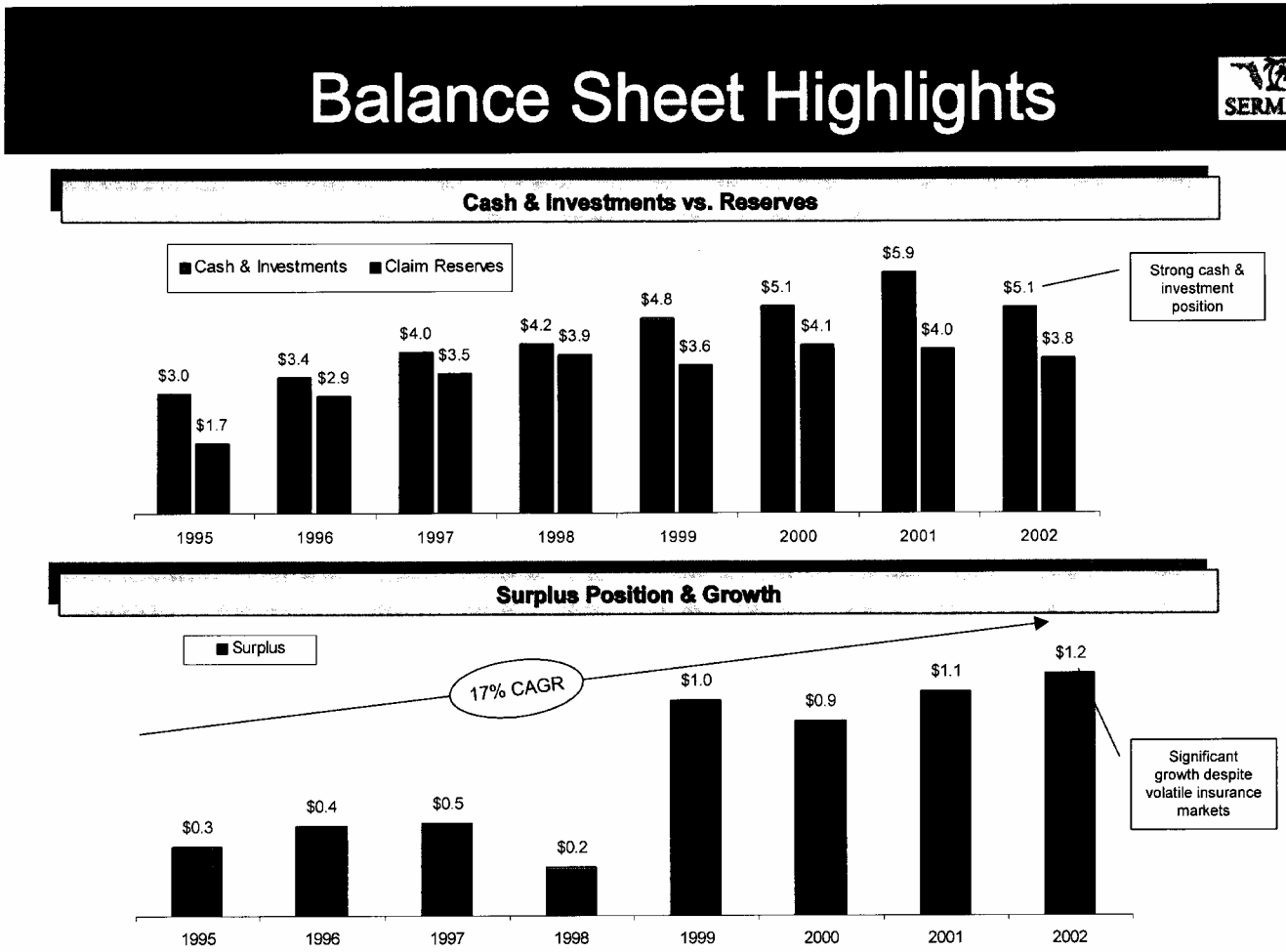
- Risk management services
  - Experienced loss control expert dedicated solely to SERMA members; on-site at member locations daily/weekly
  - Extensive reporting and analysis capabilities, including web-based tools
  - Electronic claim reporting capability

- Pool administration services
  - Insurance brokerage & consulting services, including member-specific support
  - Financial services, including administration of accounts and financial reporting
  - Coordination of SERMA meetings and related support

Financial Strength

- Financially sound program guided by a conservative Board and management practices
- Financial highlights include the following:
  - Assets
    - Cash & investments of $5.1 million (133% of reserves)
    - Investment policy focused on liquidity and stability (e.g., no exposure to stock market)
    - Conservative asset recognition practices (e.g., no receivables from SDTF)
  - Liabilities
    - Annual review of reserves by independent actuary; booked to ultimate losses w/o discounting
    - Stable reserves without significant prior year development
    - No significant reliance on reinsurers to fund reserves (i.e., no significant "netting" of reserves)
  - Surplus
    - Surplus has tripled since inception of the program to $1.2 million
    - Surplus is over two times that required by SERMA by-laws
    - Conservative premium and reserve leverage of 2.9:1 and 3.2:1, respectively
  - Income Statement
    - Member contributions determined on an annual basis by a Board-adopted funding formula
    - Current member contributions have grown at a modest 6% annually since inception
    - Income in '02 exceeded budget by 76%, with a loss ratio of 52%
    - Low cost structure (e.g., administrative expenses at 12% or revenues)

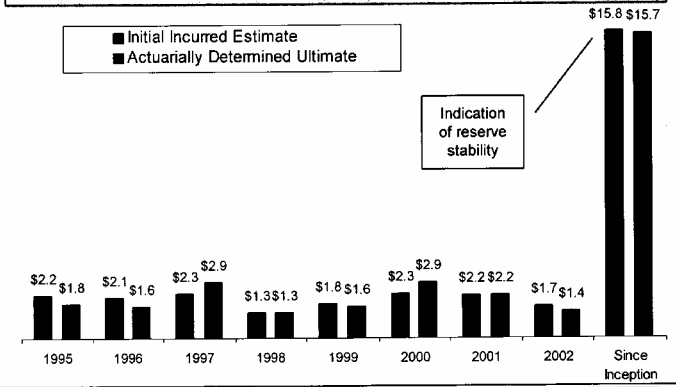
Balance Sheet Highlights



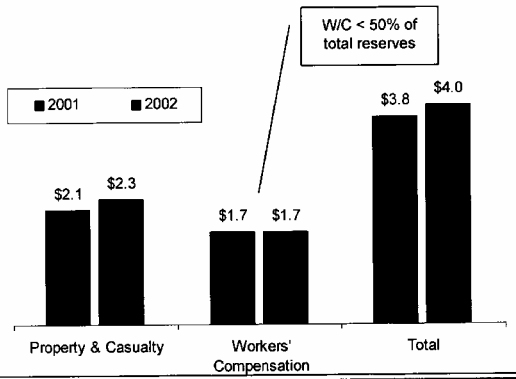
Reserve Highlights

SERMA

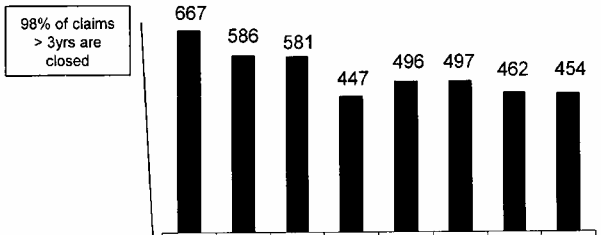
Initial vs. Revised Reserves (in millions)



Reserve Position By Line of Coverage (in millions)

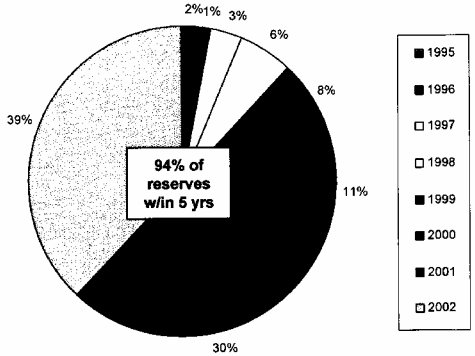


Open vs. Closed Claims By Year



	1995	1996	1997	1998	1999	2000	2001	2002
Closed Cases	663	582	568	440	483	459	364	243
Open Cases	4	4	13	7	13	38	98	211

Breakdown of Reserves By Year



Summary of SERMA Program

- P&C program established by and for Florida municipalities
- Governance provided by a member-based Board
- Provides competitive P&C insurance coverage
- Strong focus on personalized service and results
- Financially sound program:
  - Clarity and strength of balance sheet
  - Conservative reserving practices and approach to claims
  - Strong surplus position and growth
  - Stability of results despite volatile insurance markets
- Strong partnership with Town of Davie

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Thank You

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