

**NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY  
MINUTES OF THE SPECIAL JOINT FINANCE/INSURANCE COMMITTEE MEETING  
THURSDAY MAY 25, 2017 – 3:30 P.M.**

A special meeting of the Insurance Committees of the Non-Flood Protection Asset Management Authority was held on Tuesday, May 25, 2017 at 3:30 p.m., in the 2<sup>nd</sup> Floor Conference Center, Lakefront Airport Terminal Building, 6001 Stars & Stripes Blvd., New Orleans, Louisiana after due legal notice of the meeting was sent to each Board member, the news media, and a copy of the call was posted.

Chair Fierke called the meeting to order at 4:12 p.m. and led in the Pledge of Allegiance. The roll was called, which constituted a quorum.

**Present - Insurance:**

Chair Thomas Fierke  
Comm. Rodger Wheaton  
Comm. Sean Bruno

**Absent:**

Comm. Stanley Brien

**Staff:**

Jesse D. Noel, P.E. – Executive Director  
Sharon Martiny – Administrative Assistant

**Also Present:**

Gerry Metzger - Legal Counsel  
Charles Kennedy – The Kennedy Finance Group  
Tim Avegno – Eagan Insurance  
Matthew Byrd – Gallagher Insurance

**Opening Comments**

Chair Fierke noted for the record that the Flood Authority chose Gallagher as the Insurance Agent of Record to purchase insurance policies, and the Resolution adopted by the Flood Authority encouraged the Non-Flood Authority to select Gallagher also due to the potential of premium savings to both groups collectively. The Committee is here for that reason. Six weeks ago the Committee recommended renewing Eagan as the Insurance Agent of Record for the second year. Approximately one year ago the Board used an RFQ process for selection of an Insurance Agent of Record. Several responses were received, reviewed and Eagan Insurance was selected to provide their services. The second renewal was to be a pro forma renewal of that contract. The Flood Authority suggested approximately one week ago that the Non Flood Authority talk to Gallagher to determine any potential savings so that is where the Committee is with that request.

A 2-page handout was distributed for the Committee to review, and each representative will be given the opportunity to present. Mr. Noel noted that the hand out is a compilation of what was submitted. Comm. Wheaton noted that the insurance renewal process should begin in January because the Committee is rushed to determine what options are the best for the Authority just weeks before the policies are due to expire. This year the Committee started the process earlier as suggested, but as of last night it was advised that there was additional competition. The legislature passed when the O.L.D. was split into two entities (Flood and Non-Flood) had specific intentions of separation. Part of that brief was to determine if a master property policy could be obtained. Previously, all millage collected was used to buy those policies. When the agencies were divided that millage went to the Flood Authority, but the Non Flood Authority was required to purchase those coverages. Why is the Non Flood Authority required to purchase policies on property it does not own. This process has been inappropriate. Chair Fierke concurred.

## **Adopt Agenda**

Comm. Bruno offered a motion to adopt the Agenda, second by Comm. Wheaton. Motion passed.

## **Public Comments**

Tim Avegno (Eagan Insurance) and Charles Kennedy (Kennedy Finance Group) noted that their services have been utilized by the Orleans Levee District since the 1980's. In that time Eagan won fairly twice in the RFQ process. Eagan worked to settle OLD claims from Katrina, which process was tough but successful. In 2012 the first RFP for Insurance Agent of Record was advertised and Eagan was the successful provider for the Authority's casualty and property needs. The process was again let on 2015, and Eagan again was the successful provider. Eagan is familiar with the Non Flood Authority's insurance needs and exposures, and provided the proper policies at very reasonable rates as dictated by the insurance marketplace.

In March 2017, Eagan met with Committee members and reviewed the policies and premiums and received the Insurance Committee's recommendation. In March and April Board meetings the recommendations were not put on the Agenda. Since that time, Eagan has put all policies out to the insurance market for bid and have put much work into securing the best coverages at the most affordable rates for the Authority. There are some coverages that have issues, such as general liability, umbrella, flood and pollution. In the past few weeks Gallagher has approached the Non Flood and Flood Authority and promised substantial savings with no real proof. This originated with the Flood Authority, and subsequently policies were given to another insuring agent (both Flood and Non Flood Authority) to provide estimates, but Eagan was not given that opportunity for the Flood Authority. Based on the Insurance Committee meeting two weeks ago, the representative of Gallagher claimed to be able to save the Authority approximately \$130,000.00; when challenged this could not be proven.

The following is Eagan's answer to the \$130,000 in savings the Authority could see using Gallagher. The flood deductible could be increased from \$5,000 to \$50,000. This option was presented several years ago by Eagan, but only two newer terminal buildings were eligible. Eagan is waiting to determine any appreciable savings. The Authority could also save by using admitted risk companies for casualty insurance policies. Gallagher admitted that Am Risk is the company to use for property insurance. The representative stated that Gallagher could get a better rate as by approaching Am Risk personally, but this is not true as Am Risk uses a three tier system for negotiation. The more business the company gives Am Risk the better the negotiating power. Eagan is at the highest level, Diamond.

Eagan knows the Non Flood properties. Regarding adequacy of coverage, the Non Flood Authority should be considered property managers (with the exception of the Marinas and Airport) for the property owners (Flood Authority). There are certain gaps that make the Non Flood Authority insurance policies have to respond even though as property managers the Non Flood Authority should be named as excess on any collectible insurance plus a named insured on the Flood Authority policies. Eagan and Kennedy would like to continue as Insurance Agent of Record for the Non Flood Authority.

Comm. Wheaton thanked and apologized to both Eagan and Gallagher, and requested a proposal from Eagan Insurance to determine the best deal for the Authority and to determine if the Flood Authority can find significant savings because that cannot be ignored by this Authority.

## **Old Business**

- 1) **Recommendation to the Board regarding renewing of various insurance policies**

### **Tim Avegno – Eagan Insurance**

Mr. Avegno noted the following policies for last year and current:

Auto	2016 \$44,897	2017 \$36,828 (less vehicles)
Auto (ARFF)	2016 \$ 3,548	2017 \$ 3,260 (separate due to exposure)

Marina	2016 \$25,000	2017 \$23,775
Excess - \$2M - \$28,525; \$3M - \$30,025; \$5M - \$32,625		
Airport	2016 \$23,927	2017 \$23,927 (\$100M liability)
Public Officials	2016 \$20,927	2017 \$18,932.76 (\$10K deductible)
Workers Comp	2016 \$30,053	2017 \$31,485 (Increased payroll)
Property	2016 \$42,250	2017 \$36,292.51
General Liability	Pending	

\$90 million reserve due to claim by Dr. Rubin – Colony non-renewed due to two claims (one claim for \$90,000). Need primary quote to get excess liability quotes. Need to find out if NF Authority is a property owner or property manager.

Mr. Metzger explained that the basis for the claim is a boathouse was connected to Dr. Rubin's boathouse. That boathouse collapsed and Dr. Rubin asserts it caused additional damage to his boathouse. The boathouse is a non-flood asset, and under the management and control of this Authority. Comm. Wheaton advised that the plaintiff, prior to filing suit, transferred the boathouse to his daughter who has no claim. Mr. Eagan noted that there is a \$90,000 reserve the underwriter is looking unfavorably at.

Regarding pollution liability, the Authority does have some pollution exposure with tanks at the Fuel Farm. These are above the ground tanks and there are preventative measures. Eagan is in the process of obtaining a quote on this. The renewal dates for insurance policies are July 1, 2017. Property Insurance from Am Risk is \$42,250 for the Fuel Farm. A quote of \$36,292.51 was given with 3% for named storms, \$25,000 for all other wind and \$5,000 for all other peril. The deductible is \$25,000. Flood Insurance from NFIP has a \$50,000 deductible based on renewals. Premiums are changing with NFIP due to flood protections. NFIP will not renew shelter policies unless the Authority can prove they are there.

The Authority has had a verbal contract with Eagan for a fee of \$45,000 minus the commission for the casualty coverages. In turn a portion of that goes to the DBE co-partner, Charles Kennedy. There are no quotes on general liability or flood at this time.

### **Matthew Byrd – Gallagher**

Mr. Byrd advised that Gallagher discovered that as property managers, the Authority lacks Miscellaneous Professional Liability Coverage and Pollution Liability coverage. Facilities are next to a navigable water way and it is in the Authority's best interest not to purchase flood policies, which is recommended by Gallagher. Of total insurance spent, \$10,000 goes to brokers' fees. These fees would not be charged to the Authority if it were with an admitted market.

Gallagher has found roughly \$345,000 in savings on the Flood Authority side. When the additional properties are included into the master property quote the Non Flood Authority would realize \$143,000 in savings, which process would impact public dollars by \$500,000. This process will be fruitful to the taxpayers. The new total premium would then amount to \$725,000 with an additional \$147,000 in other areas. The consolidation brings in a 21% reduction as a whole. The three flood, property and auto policies will be rolled into one policy.

Comm. Fierke questioned the savings and combining the policies between all entities may not be legal. Mr. Byrd advised that the 28 policies of insurance would be combined into a one \$5 million per occurrence policy. The overall coverage would be increased with the coverages through the consolidation. The Non Flood Authority would be rolled into the savings. It is agreed that the Revised Statute states that some policies cannot be combined together. Consolidating the property policy will impact all entities, including Non Flood. Comm. Fierke noted that the joint savings is speculation because it is not known if both Non Flood and Flood can be insured together legally; it is sketchy. Mr. Byrd stated that assumptions were made on expiring general liability and excess liability only and that a savings of \$55,000 was realized. The underwriter at Ace stated that the numbers can be hit. A verbal number was obtained, but not a written quote. Deductibles are the same with Amrisk, but the policy was changed from a named storm to a hurricane and the \$30 million sublimit was eliminated on full wind, which you would

have full wind on all properties. Under the main policy there is a \$30 wind sublimit. Under this policy the wind limit is a full limit and the Authority would recover all loss. In finishing, the numbers Gallagher could hit, excluding flood have been hit either by quotes in hand or verbal agreements of underwriters who have reviewed the budgets.

Comm. Wheaton addressed the liability and questioned if there would be different exclusions as the Non Flood Authority has less flood exposure. Mr. Byrd advised that manuscript endorsements could be written that alter policies for items that are needed which could be added into the policy. Mr. Byrd advised that shifting flood deductibles from \$5,000 to \$50,000 will have an impact of approximately 15%. It was indicated that the Authority does not desire to purchase flood so the cheaper premium is advised. There is no difference on what Eagan recommends for flood and what Gallagher recommends for flood. Comm. Wheaton noted that FEMA spent money to repair some of those buildings and now requires the Authority to obtain and maintain flood insurance on most of the structures that FEMA repaired. Comm. Fierke noted that the Authority could not afford 14 \$50,000 deductibles and the delta was not big enough to make the change in the deductible.

Mr. Avegno noted that pollution coverage was discussed with previous administration, but it was decided there was not much exposure. Miscellaneous Professional was looked at, but the Authority must determine if it is a property owner or a property manager. Flood deductibles were discussed, but it was decided that this would not be used. There has been no request for loss runs on any policies. Amrisk would not quote as they already provided a quote to Eagan. Most disturbing was the Agent of Record letter that was signed by the Flood Authority on the Non Flood policies. Comm. Wheaton noted that some differences are nickels and dimes in the scheme of things. Flood, general and excess liability were taken off of the table as the quotes were similar. The Authority would come out approximately \$45,000 ahead. In the overall scheme there is probably some play in those quotes, which are close.

Chair Fierke offered a motion to recommend Eagan Insurance to the full board as they have experience with the Non Flood Authority exposure and with their small business participation, second by Comm. Bruno based on the numbers. Comm. Bruno noted the savings if the two entities came together, but the two entities did not meet to discuss that issue. The Flood Authority made their decision and then approached the Non Flood Authority.

### **Announcement of Next Meeting**

Upon Request.

### **Adjournment**

Comm. Bruno moved to adjourn, second by Comm. Wheaton. Motion passed. The meeting ended at 5:71 p.m.