Minutes of the Special Meeting of the Board of Commissioners of the Lake Charles Harbor and Terminal District held at 1:00 P.M., Tuesday, March 2, 2021 in the Boardroom of the Port of Lake Charles located at 1611 West Sallier St., Lake Charles, Louisiana.

In attendance and constituting a quorum, were:

Carl J. Krielow, President

Thomas L. Lorenzi, Vice President

M. Keith Prudhomme, Secretary/Treasurer

Judy A. McCleary, Assistant Secretary/Treasurer

Dudley R. Dixon, Commissioner

Michael G. Eason, Commissioner

Absent:

David J. Darbone, Commissioner

Also Present:

Richert Self, Executive Director

Jon Ringo, General Counsel

Cameron Landry, Director of Administration and Finance

Michelle Bolen, Executive Administrative Assistant

Mr. Krielow called the meeting to order at 1:00 P.M. and gave the invocation. Mr. Lorenzi led the Board and audience in the Pledge of Allegiance.

Mr. Krielow made a statement reminding the public of the Port’s procedure for the public to address an agenda item to the Board.

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1. Consideration an appropriate action concerning awarding a contract for the Port’s insurance brokerage services.

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Mr. Krielow stated there were six companies here to present their Request for Proposal presentations for the Port’s insurance brokerage services. The first group to present is USI. Representatives from USI were Linda Monnerjahn, Chris Casbarian, Randy Green and John Collado.

USI representatives presented their proposal. The presentation is on file in the Executive Office of the Port.

After their presentation, they asked for questions from the Board.

Mr. Eason said that in the investment world he can operate on flat fee. There are moving parts to everything and that is the product out there, which he assumes insurance is included in that. It creates a revenue stream somewhere to a reinsurance company or to the parent company or wherever. Whether it gets to the agent he is not sure. That is how it works in his world. That is something he is trying to understand.

Mr. Casbarian replied stated that Mr. Eason needed to ask for transparency all the way through the transaction because these are games that are played and they irritate them. They put what their number is and the percentage is because this is a low percentage to the premium. The Port will not reward them for the premiums going up. The Port is also entitled to know what is going on behind the scenes with each of those intermediaries and is going to be different depending on what path is chosen, but there are games that have been played here and not being straight up enough in his opinion. It irritates them and he does not want the Port to fall for that either. What retail broker representing the Port is important. What is behind the scenes is equally important because it adds to that additional cost.

Mr. Collado said with the reinsurance question, USI usually and normally does not place reinsurance. It comes directly in the cost associated with the premiums they charge. USI will not see any of that. The underwriter will usually go get his own reinsurance to gauge his price. USI does not handle reinsurance. That is not what they do. But, bigger brokers like an AON place their own reinsurance. They have little units of that and they will get extra commissions. In this case, on that specific part of it, there is no reinsurance done by USI. When they do the alternate risk program, it is going to be reinsurance play, but they are buying reinsurance direct. They will explain all of that. It will be a part of that fee. Mr. Casbarian said they have their own alternative risk group right here in this region and they do not have layers and layers of folks that are going to add to those costs. They will tell the Port that they will negotiate candidly with their AON placements to get those down because they thought they were(inaudible). He wanted to point that out.

Mr. Dixon asked USI how they get paid. Mr. Casbarian replied that the quote they provided the board, $175,000 is inclusive for everything that they will do. That is it.

Mr. Krielow asked if there were any back side commissions. Mr. Casbarian said that the backside commissions will have to be negotiated with other intermediaries. Some of them are stacking it, but they are not showing it to the Port and it might be the same company that is getting additional layers of compensation. That is why he put this down, because he is concerned that they are making a multi-multi-million-dollar decision based upon a very small number that people are showing you. Behind the scenes, they have to be very transparent about that and they give the Board their commitment that they will show each level and each structure and what that compensation is. Mr. Krielow asked, as an example, before withstanding the proposal that is here, the renewal that took place previously in mid-January for they put the RFP out to hire services, what would a typical commission be for them. Mr. Casbarian stated that it was not atypical for a global transaction to include 20 points, 21 or 22 points of direct compensation to the various parties. He personally has run captives and insurance companies and there are profit commissions, which are normally based upon the underwriter’s profits. Those are pretty ordinary and are customarily another 4 to 5 points, but that is more in the underwriting profit, not something the Port is paying for directly. He would focus on the direct and the intermediaries.

Mr. Collado stated in order to make it clearer, on a London slip, if you are in London there is 20%, because there is a London broker and they give 10% to the retail. That is the 20% if you go to London. How to remove all commissions outside of the fee, you do not go to a wholesaler to get the certain market price. So, on the liability side, some people have to go to an MGA or a wholesaler. If you had a product you had to go through someone to get, they get commission plus you get commission and you can control that 10%. Being a USI/AON or whoever big boys, they have direct contact with the insurance companies. That is how you really control it. You do not go to these program places or a small operation that has to use a wholesaler, because that wholesaler is still going to get that 20%. They are not going to give that up. So you are getting at least 10% additional on your premium if you do not have the contracts to do it directly with the insurance company. If you go on a simpler term, so they use CRC, it is a big wholesaler MGA in the country and they have 20% on their placements, which is not normal. It is usually 10 to 15% which is the normal number on domestic placements. It is 15% on the umbrella and 10% on the primary liability.

Mr. Krielow asked as an insurance broker or as an insurance provider, as their structure is, do they ever get to the point where they recommend to a client to self-insure. Mr. Casbarian replied that they absolutely do. He said Mr. Krielow was using another term for alternative risk. Absolutely. Captive formations they have done in their group work very efficiently and very inexpensively, but they are doing all sorts of different structures like that. Self-insurance is another term, but they do not want to just self-insure. They may look at, and this is may be getting a little bit deeper than they were anticipating, but on the flipside, if they were to look at a multiyear program to try to get lower costs down, that would be something they could possibly do where they could use a combination of self-insurance and some aggregate stops if they have a big loss. This will be so that they will not have a big pop. That is what they are doing offshore as well is they will take a multiyear program and put curbs on it to where, if they do have a problem, they have multi-years to come out of it. They have to weigh that with the fact that they might be tied to that for a few years. Mr. Collado stated it was a three-year deal. They just did one on a trucking deal where upfront is a big savings, but there is an end game.

Mr. Krielow asked since they are the Port’s current broker, the fact that their program from a $2 million premium with a half-million-dollar deductible and $50 million in coverage to a $10 million single event with a $5 million deductible and $4.9 million in premiums, do they feel that is a prudent decision for the Port as a client, to be on the hook basically for the first $9 ½ million dollars of a single claim where you could have multiple events where you never strike even into the insurance. Mr. Casbarian replied that is why they are focusing so much on alternative structure. They have to have alternatives to look to look at and do the cost benefit of a cost versus a structure. That is exactly what they are proposing. He does believe they have their hands tied with the structure they had. If they look at the model, it is a 500-year event. He is not going to cast stones on AON or a very defensible position that was purchased. But, he does think they need to be looking at something alternative.

Mr. Krielow asked with the current program they have, he knows there is not a minimum return premium, is there a return premium that would be canceled or is it not cancelable. Ms. Monnerjahn stated that there would be some return premium. Mr. Krielow asked if this would be based on percentage of use. Ms. Monnerjahn replied that it could be a short rate cancellation, which is a 10% charge. Typically, if the insured cancels the policy, it is a short rate cancellation. This is a 10% charge. Mr. Casbarian stated it is a generalization as well because there are different parties. If they can feel comfortable with the existing claim, they should start that immediately. They are not waiting 60 to 90 days for a renewal. These processes take time to deal with. They will need probably 6 to 7 months to do it appropriately. They want this windstorm event and the reinsurance renewals that are going on between January and March to get filtered out so that the underwriters who are looking at these risks are looking at them and saying, “Okay, I know what my past liabilities and I know what my new reinsurance programs look like and their projections, now I am comfortable going forth.” But they typically do not want to do major changes, because it is not in the client’s best interests between October and February of the following year, or any given year because of that noise that is going on. They also need to get the claim finally adjudicated and paid. Then they will be able to… They can start reviewing it now. But, they have to be careful as a team to figure out when they would pull that trigger.

Ms. McCleary asked with 5,000 marine clients nationwide, regarding the Louisiana Gulf Coast are there any they would like to mention to the Board in particular. Mr. Collado replied that he handles Devall Towing, a few big ship yards in Mississippi, some in Kilgore, Texas and some in Lake Providence. He handles the majority of those, but he has personally 120 of those that that he handles personally. Ms. McCleary asked if it was the Port of Lake Providence. Mr. Collado replied that it was not, but he handles a big towing company there. It is their largest employer in that town. He has worked with them before, but he does not place their insurance. Ms. McCleary asked if he has worked in any Ports. He replied that he has no Ports. Ms. McCleary asked if he had any along the Gulf Coast. He says he does not but he does handle a shipyard that has a very similar property portfolio as the Port does.

Mr. Casbarian said to bear in mind that they are drawing upon the experiences of their national company, which is at 5,000. Most importantly, they are also dealing with the same markets that are dealing with the marine exposures, harbor exposures and even the offshore examples given are typically in the same markets that are addressing the structures. Mr. Collado stated he handles two accounts that are based at the Port and they are coffee bean companies at the Port of New Orleans.

Ms. Monnerjahn stated she has written several Ports in Louisiana along the Gulf Coast. They do have that experience. It is not just this one.

Mr. Lorenzi asked if any of those were current. Ms. Monnerjahn replied that they were not.

Mr. Krielow thanked USI for their presentation.

The next group to present was HUB Insurance represented by Louis Todd.

Mr. Todd gave his presentation. The presentation is on file in the Port’s Executive Office.

After his presentation, Mr. Krielow asked the Board if they had any comments or questions.

Ms. McCleary asked if Mr. Todd could give them a brief description because they are looking at the members of their staff that, in a manner of hours after it was safe to come to the Port post hurricane with their boots on the ground, she thought one of the first calls was to the insurance company in their point of contact. How does he see HUB International, that is based in Chicago, structure their local agents? Are they writing the policies? What would his job be?

Mr. Todd said that after Laura, they all know what that is like, from his large property clients he was already in communication with the carriers prior to the storm hitting. He writes the property insurance at West Calcasieu Hospital. The storm passed through at 6:30 PM and by 8:30 PM there was a team of probably 50 people hovering in their boardroom and just going at it. In fact, it was Thursday… Ms. McCleary asked who those 50 people were. He replied those were 50 people that he had assembled with the carrier and by pre-notifying the carrier of this potential, they sent in their service teams into Lake Charles. West Cal did surgery the next morning. They did three or four surgeries the next morning. He asked if he answered her question. Ms. McCleary asked what she was trying to ask is what does he see is his role being the local face of HUB on this account, when needed. He replied that he is the first line of defense. She asked and that was to do what. He replied that he was the one to get the ball rolling. In talking about claims catastrophes, he is the first line of defense. He is the guy you call and he gets their team involved. In their Lafayette, Baton Rouge and New Orleans offices they have eight in their claims team. That is all they do is handle claims. Two handle property only. As far as certificates and the day to day work, Kelly Polete is his right-hand person. They also have second and third level teams that if Kelly is out or if you need a certificate for whoever. He asked how many certificates does the Port do daily or weekly or monthly. Mr. Self said he did not know off the top of his head but it was fairly regularly. It is probably once every two weeks.

Mr. Todd stated that these things generally once insurance is in place, and he generates those. If it takes five minutes, they are taking too long. Ms. McCleary asked if he has proposed a fee of $325,000 would he share with them how he came to that amount. Mr. Todd stated that the annual premium is $4.8 million that the Port is currently paying right now. Normally agents make somewhere in the 10 to 11% range. That is par. The number is he is showing is 6.7%. How he came to that number is he spoke with his team and they talked a lot about what to present. They felt like this was a fair number.

Mr. Dixon asked what was that number. Mr. Todd replied that their fee was $325,000. Mr. Dixon asked if that was per year. Mr. Todd replied that it was. Mr. Dixon asked if this was for three years. Mr. Todd replied that it was for three years. He asked Mr. Todd if he was going to save the Port $400,000 per year. Mr. Todd replied that this would be on the Port’s property. Right now the Port is paying in his understanding is the Port’s agent is not on a fee, they are making commission. On the property alone they are making 16.6% of $4 million. This is just the domestic side. He believes the London side was making a lot more than that. He asked if that makes sense and Mr. Dixon replied that he did.

Mr. Self asked Mr. Todd that he had mentioned the savings that they had provided to one of their more recent renewals and it was about $600,000 in savings from what the original quote was to what he settled upon. What did the premium look like compared to what their expiring premium was. Todd replied that it had just about doubled. The original number was tripled. Mr. Self stated that he thought that was very similar to what the Port experienced. He did not think Mr. Todd’s experience was any different than the Port’s experience. Mr. Todd stated the public bodies in Calcasieu Parish are struggling with wind limits and what can they afford.

Mr. Krielow asked regarding the renewal that Mr. Self asked him about, did he review it with the same deductible or was it double with an increased deductible? What was the matrix that they would use compared to what it was prior? Mr. Todd replied that the expiring deductible was 2%. The renewal deductible was 3%. He had quotes from other carriers, which were higher than this. The critical piece was to get the carrier that had just lost $60 million on the claim to offer a primary layer. That was the battle and it is critical because until everything is repaired, for this particular client, if you can afford the same carrier and if they will offer primary limits, it is far better to stay with that carrier until everything is repaired. Once everything is truly repaired, that it is a different ballgame with other markets.

Mr. Lorenzi stated he was looking at the list of client references furnished by Mr. Todd. It shows the Massachusetts Port Authority. From what he can see, it is the only one that would appear to be somewhat close what this Port is doing in terms of being the one that would be providing the personal service. He asked if Mr. Todd had any experience with Ports. Mr. Todd replied that that was a great question, but no he has never written a Port. However, he is surrounded by people that do. He showed a spreadsheet of all of the Port’s coverages. He has written every coverage that the Port currently has with the exception of police professional liability. However, he has added to a general liability policy. He has not written a standalone police professional liability policy. With complex accounts, he is surrounded by people in the Northeast, the Northwest and New Orleans who write very complex marine accounts. The coverages that the Port currently has are in placement for all of these accounts.

Mr. Lorenzi asked if HUB provides him with a team of experts in terms of doing the actual risk analysis. One of the things that Mr. Todd does show is important on this list of representative clients, is the retention of his clients. He asked Mr. Todd what his average retention was for his clients. Mr. Todd replied that it was 20 years. Mr. Todd said that is important. Mr. Lorenzi stated he thought Mr. Todd he had only been in business for 11 years. Mr. Todd said he was previously with his father and Andy McElveen, who were partners at McElveen insurance agency for a long time. Mr. Lorenzi asked if he meant in his personal capacity he has 20 years. Mr. Todd stated that was correct. Many of those clients, because of legalities, he could not approach any of those clients. He asked if they followed him, they contacted him and told him they wanted to stay with him, they trust him and they want to stay with him. It is very humbling when you jump off a cliff and start your own agency. He just wants to do a good job and to know they are appreciated by others. He was honored and humbled.

Mr. Dixon asked regarding the team he has, how many of those people does he have and how quickly could you get information from them. Mr. Todd replied that in putting the RFP together, they reached out to others. He has all of his teams’ numbers programmed into his phone. He has their email addresses. He has tremendous resources at his disposal, but mainly at the Port’s disposal.

Mr. Lorenzi asked that HUB is headquartered in three Louisiana cities. Mr. Todd asked him to repeat the question as he did not hear it. Mr. Lorenzi said that the agency generated $18 million in income across three Louisiana offices. Where are these offices? Mr. Todd replied they are located in Lake Charles, Lafayette, Baton Rouge, New Orleans, Alexandria, Monroe and Shreveport. Mr. Lorenzi said that this was outdated then. Mr. Todd apologized. Mr. Lorenzi said it might actually be referring to what it was back then.

Mr. Eason said that everyone should be paid a fair wage. Mr. Todd mentioned a lot of customers that he had in the area. The first part of the question is, he is not going to ask who, does he have any other clients that are operating on a flat fee? Mr. Todd replied that he has some clients that he does charge a fee, but not a flat fee. It just depends, for example, his emergency room client, 500 physicians. He is getting applications all of the time. These guys come and go and the carrier pays 7% commission. This was all discussed with the client, and they paid him a fee in addition. It has to be reasonable. It has to be fair and reasonable. Anything above 15%, and he is talking about the Department of Insurance and how they look at it, there is no rule saying, “Here is the limit.” It does have to be reasonable. Mr. Eason stated where he works there is no such thing as a flat fee even if he could give someone a flat fee, and he can do that because there are internal expenses in virtually everything he does. That probably exists in insurance. Is there such a thing as a flat fee in Mr. Todd’s world? The bigger an agency is there is revenue that he would never see that is negotiated on a level way beyond him. He cannot speak to that. He did have one other client that had a flat fee and they are no longer a client. It was Lake Charles Memorial Hospital. Through a lot of dialogue they felt that maybe it was potentially a conflict of interest, so he surrendered the account. He is no longer the agent on that account.

Mr. Eason asked that he thought he saw an 82+ percentage of what the Port has as property insurance and not in maritime. He asked if Mr. Todd thought his expertise should be in property or maritime ports. Mr. Todd said from the standpoint of the 800-pound gorilla right now, it is property and getting limits. The Port only has $40 million in coverage with $500 million in property value. Property is critical in those relationships. Regarding maritime, he is well-versed in maritime in regards to the Jones act, Hull and P&I. He has accounts that have boats that run up and down the ship channel or along the Gulf Coast and bayous in Cameron. He said that was a tough question regarding which one is more important. You just look at the premium and the money. Right now he would say property is more important.

Mr. Krielow thanked Todd his presentation. Mr. Todd thanked the board as well.

The board took a break at 2:17 p.m. and returned at 2:33 p.m.

The next group to present was McGriff represented by Stephen Lang and Johnny Fontenot. They gave their presentation. The presentation is on file in the Port’s Executive Office.

After Their presentation, Mr. Krielow asked the Board if they had any comments or questions.

Mr. Eason asked that they obviously know the multiple variables on how this is being judged and one of them clearly is being pricing. It looks like from their previous vendor, McGriff is operating at about at 45% of what they charged as a commission last year. He said they are about 30% lower than any of the other guys that are bidding. He wants to get the components. What do they attribute that to? Mr. Fontenot replied that either they were overcharging the Port before, just being totally honest. He stated regarding their fee, they will still make a nice profit and they would have a great name account to hopefully use as a reference for years to come. Mr. Lang stated that as far as flat fees are concerned, they had some talks internally about that. As far as the resources and the work that is going to happen behind that fee, the Port is not going to suffer if that is where is where he is going with that. Mr. Eason stated he was just looking at the discrepancy. He does think people should be paid for what they do. Mr. Lang stated he agrees and they are okay with the fee or they would not have put it in there. Mr. Fontenot stated he is shocked that they are that much less than everyone else.

Mr. Lorenzi asked if the Port of Galveston and the Port of Houston are still clients. Mr. Fontenot replied that they were. Mr. Lorenzi said that in their proposal they talked about their profitability really depends on long-term retention. Do they know what their average retention is for large-scale customers? Mr. Lang replied that in their national public entity practice, they have lost three accounts in the last nine years.

Mr. Lorenzi asked if they worked with any maritime entities in Louisiana. Mr. Lang replied that they have several. He knows the Port had something with Devall at the last Board meeting and they are one of their clients. Mr. Fontenot stated they also have Dunham Price as their client.

Mr. Lorenzi asked if they could explain again what they were saying about the $137,000. Mr. Lang stated that what he meant was the market itself, it is a very hard market. Rates are going up. Exposure is probably staying the same somewhat. So, the rates are going up, but their work is still the same work, but if they were on a commission basis instead of based off of $2 million now they are basing their commission off of $4 million. The work has not changed and is not really a fair way to look at it. That is when they decided to entertain a fee that would be the best thing for the Port from a cost standpoint. Mr. Fontenot said that they discussed if you have a flat fee, you can budget for it first off, and number two they do not have any incentive for the Port’s premiums to go up. Their incentive is to have the Port’s premiums go down and improve coverage. Mr. Lorenzi asked so there was no misunderstanding on his part, what is their cost proposal or fee proposal. Mr. Lang stated that it was $137,000 annually for three years guaranteed. Mr. Lorenzi said what they have written here it says, “As a beginning point for negotiations.” Mr. Lang stated his understanding is they have proposed a $37,000 flat fee for three years guaranteed. That is the deal. Mr. Lorenzi said that was clarified at some point. Mr. Lang stated he was asked a couple weeks ago about that. He wanted that clarified and on the record.

Mr. Lorenzi asked if it was still true if that would be net of commissions with the exception of flood placement. Mr. Lang replied that it was. Mr. Lorenzi said that was required by the federal government.

Mr. Dixon stated McGriff was talking about bringing people in and having them go through the Port and looking at the items and judging the cost of everything. Everything is pretty much demolished right now. What would they do? Would you say when this gets finished this is what it is going to be worth? Mr. Fontenot said that is correct and they would work with staff to figure out exactly where the assets are that have been destroyed, what were the values prior to being destroyed, what are the plans on reconstruction and what are the assets the Port still has that are being covered. He assumes everything did not get destroyed. Mr. Dixon stated they were hoping everything that did get destroyed will be better when they put it back. But, this will not affect their fees? Mr. Fontenot replied that no it will not.

Ms. McCleary asked if they only have public-sector clients. Mr. Fontenot replied that he does as his group. Mr. Lang stated he has various clients. She asked regarding the southwest Louisiana area, do they have other public sector clients Mr. Lang stated he represents the City of Westlake. Mr. Fontenot stated they handle the Lafayette airport and the Lafayette Parish schools.

Ms. McCleary asked regarding the Port of Houston or Port of Galveston if they had any losses during hurricane Harvey or was it just the city. Mr. Fontenot stated the Port of Houston did not but the Port of Galveston did have severe losses. They were policy limit losses.

Ms. McCleary asked Mr. Lang if he started with McGriff in 2005. He replied that he started January 3, 2005. It was called ICT back then. She asked if there was an existing local office. Mr. Lang replied that it was local. She asked if McGriff acquired a local agency and he was an employee at that agency. He replied that was correct. Mr. Lang stated that they were ICT and then they were Rezmen/Regions and now they are McGriff. He has stayed the course through all of those acquisitions he thinks they are in a good spot he could not be happier with their company. People always say the grass is greener on the other side, but it is a good company. They care about their people in the care about the clients. McGriff acquired them about two years ago. It is been pretty good and they are very excited about it and some of the resources in their public entity group that they have access to those kind of things.

Ms. McCleary asked about MPORTS. She asked if they had Mairports and Mcities. She asked how does that put them at a competitive advantage by having that program. What does it do that no one else does? Mr. Fontenot stated it is a better form of coverage. You have enhanced coverages on the liability side and specifically on the property there are enhanced coverages on the property as well. It is a better form. Ms. McCleary stated that he is saying his competitors cannot. Mr. Fontenot replied that currently, they cannot.

Mr. Krielow asked regarding an account such as this, if they shopped domestic companies or strictly use the London market source. Mr. Fontenot stated that they do. In the last three years, it is been a tough property market, specifically in the last three years. About half of their placements are half domestic carriers and half London syndicates. It is about a 50-50 split on most of the placements. He will say Gulf Coast, High Cat exposed placements. They do have some placements that are not in Lake Charles that are hundred percent domestic.

Mr. Krielow stated he was sure they had seen what the Port’s renewal was in January on the property with the deductible. What plan or what suggestion or approach would they take if they were selected as the agent for the Port to evaluate? What they look at that or would they wait until it renewed to do something with it? Mr. Fontenot stated he would use the Port of Houston as an example. When they took over after hurricane Ike, they got them a premium reduction at their next renewal. He is not saying he could guarantee a premium reduction, but in a hard market after Ike and after an $8 million loss, they had not been marketed. Their existing broker had not really taken them in the marketplace. He sat down with some of his friends at syndicates and they had never seen the Port of Houston in an underwriting submission. They made a lot of changes, including domestic carriers and syndicates that they had never seen, including syndicates that were not paying an $8 million loss either. They had to move a lot of different chairs around, but they were able to get a 5% premium reduction after the loss. Mr. Krielow asked if he thought it was prudent to reevaluate it assuming they take over and are awarded the RFP and represent the Port. Would it be prudent to look at reevaluating and looking at what the premium cancellation is? Mr. Fontenot agreed.

Mr. Krielow asked if they would ever recommend a client to self-insure because the cost of insurance is prohibited from the coverage you are getting for what you are paying and what the deductibles are. The Fontenot stated he would not make that recommendation because he knows what the Port’s assets are and he knows if they are completely uninsured, you have to have a pretty large reserve. If you did have a $50- or $100 million-dollar reserve, it may be a prudent thing not to buy insurance. Mr. Krielow said that in the Port’s particular case of point, the Port has a $5 million deductible with $4.9 million in premiums on a $10 million one event. Mr. Fontenot’s stated that the Port has a $50 million limit and if that was correct. Mr. Krielow stated it was a $40 million with 10 million…. Mr. Self stated it was actually $45 million. It is actually a $5 million self-insure retention, not a $5 million deductible. Mr. Krielow asked what did the Port have. Mr. Self stated it was a $5 million self-insured retention, not a $5 million deductible. There is a difference between that from an insurance perspective. Mr. Fontenot asked if they did have a $45 million total limit sitting on top of that deductible or retention. Mr. Self said it is $40 million after the $5 million in self-insured retention. Mr. Fontenot said that the Port does have a $40 million limit. Mr. Krielow said it was a $10 million first loss, $30 million first loss based on one accident occurrence. They could have $10 million multiple losses that they are paying with the $5 million deductible and $4.9 million in premiums, so they are spending $9.9 million for that first loss coverage. Mr. Self asked why it was $9.9 million because he missed the math. Mr. Krielow said they are spending $4 million to buy this. Mr. Self said Mr. Krielow was including the premium. Krielow said yes, you take the cost of the premium plus the deductible. Mr. Self thought he was saying that the Port self-insured retention was that amount. Mr. Krielow said no.

Mr. Krielow said the other thing in looking at their coverage, one of the other brokers mentioned this. He asked them if they noticed the Port has cyber coverage or not in their evaluation. Mr. Lang replied that he did not notice it and was not sure. Mr. Fontenot stated that he did not know if the Port has cyber coverage, but they should if they do not. He stated they have had some large cyber losses to some of their public entities in the last three years.

Mr. Dixon asked if they were able to get this proposal, would they be able to get the Port a reduced cost in the cyber insurance. Mr. Fontenot asked if the Port knew what they were paying for cyber insurance. Mr. Self said that he did not think they had a standalone cyber policy. He thought they had coverage included in the property/general liability or the crime policy. Mr. Fontenot asked if it was part of their program. Mr. Self said he thought it was but he would have to confirm that.

Mr. Lorenzi asked if Mr. Landry knew. Mr. Landry stated he was pretty sure it was part of the crime policy, but is not 100% sure. Mr. Fontenot stated a lot of times it is attached to the crime policy. Mr. Krielow stated it was part of McGriff’s duties to dig into that. They agreed.

Mr. Krielow thanked the McGriff for their presentation.

Mr. Self asked if the Board had any questions for staff before the next group came to present.

Mr. Prudhomme said that he received Mr. Landry’s email about the carriers. He asked if he could identify which ones were domestic and which were international. Mr. Self said they were all Lloyd syndicates. They were all 100% Lloyd syndicates. The company they had it with one the Port was domestic was Lexington, which is an AIG company. That is who they had to file suit against with hurricane Rita on a $950,000 claim.

Ms. McCleary stated McGriff got high marks from the Port of Houston and Port of Galveston. Mr. Landry checked their references. Mr. Landry stated he also got references from the city of Tampa. They had only good things to say. Ms. McCleary asked if they did that with all of the applicants when they have some Port related. Mr. Self stated they only did it for the one that was selected just to verify that they were making the right decision.

The next group to present was BSX Insurance represented by David Perry, Charlie McVea, Steve Allison and Warren Hopper. They gave their presentation. The presentation is on file in the Port’s Executive Office.

After their presentation, Mr. Krielow asked the Board if they had any comments or questions.

Ms. McCleary asked them about their cost proposal because it is a little vague to her compared to some of the others. Mr. McVea said straight to the point, $4 million is the premium through property. In the property market in London in the surplus market world. Most all of it is coming out of London. He feels the Port’s is also out of London. If that is the case, 10% is the typical commission rate on that piece of the insurance. The problem with London is this is why the language is vague. Ms. McCleary asked regarding the 10% is this a commission or a fee. Mr. McVea said a 10% commission. It is built into the insurance contract. It is set by the carrier. Everyone has a different contract carrier and they provide a commission in their contract. Whatever that commission number is with that particular carrier would be the same for all of the brokers working on it. The problem with the 10% commission coming out of London as they typically refuse to remove it. They may not pay it to them, but they are not going to take it out of the $4 million Port of Lake Charles is paying. That is why they want to dig in and build a proper program. They do not want to charge the Port a fee if the Port is also going to have to pay $400,000 in a commission amount to someone, whether it be over in London or a third-party broker. Just because he says they are only taking a fee and they do not take that number, that is deceptive and it hurts the Port’s budget. If they can get paid through a commission that is already going to be charged to the Port anyway, that is what they are going to do. This will be transparent. They will bring everything to the Port and show how the carriers are structuring their commission and what his group is being paid. The Port will need to know that. At that time they can make the proper decision. The other problem the Port has is that they just renewed property in January. They are probably not but even if they were willing to take that out, at this point is probably fully earned. There is no way to go backwards. It will not get it taken out. The fee that the Port will get charged is going to be in addition to anything else. The way his group had worded it they, in many ways, will work for free for a period of time. They will try to blend in some fee that will roll out as the commissions came in, but they will discuss all of that with the Port. It is very hard to tell exactly how those commissions are being done because they do not see the contracts. Those contracts are privy to the Port’s current broker.

Mr. Hopper said that the risks are, for example, the Port is paying $4 million to a London broker. That broker is paying the Port’s agent 10%. BSX will go to them and tell them they do not want to make a commission, they are working on a fee. So, the London broker will not pay them a commission, but the Port is still paying $4 million. That is the situation they want to avoid.

Mr. Perry said they typically do not remove it from the contract. If they do, it will typically go to an international conglomerate of the back office. Mr. McVea stated they do not know and do not have any idea it is structured. The other way that can be handled is if a broker comes in and tells you that they know for fact that in the property world they can get that removed. That tells him one thing right there. They probably have some ownership structure in wherever they are about to move you. If you notice like AON. AON is also a brokerage, just like some of the bigger brokerages out there, BSX is a publicly traded company. They do not own those back programs. What they do is say they will remove it, but they are making a commission off of the productivity of the program itself. They are saying they are not charging you a fee, and they know they are not going to charge you a fee when they move you to this program. That is not technically true. It is just like investments. It is like someone in investments when he deals with his 401(k) he has met people and they tell him they are not going to charge him this fear that fee and then come to find out there are some hidden fees. He said to be very transparent with your broker or ask them to be transparent with your broker about how that number is generated because he has to look at every level of it before they can fully tell the Port how they will be paid. If there is no way to remove that from the London market, then that needs to be the only thing they receive and they need to pull their commission out of the other lines. On the other 20% of the coverages, the most cost-effective way for the Port to pay them may be to remove the commission from that 20%, allow them to get paid the 10% on the property that cannot be removed anyway and charging no additional fee.

Ms. McCleary said that what BSX is proposing is that is that are in existence currently that that would be what they would consider proper compensation and there would be no additional fees. Mr. McVea stated that that was correct depending on if that number can be removed, the $400,000, then they would show that to the Port and agree to a fee that is reasonable. Mr. Perry stated that they would typically pay… Ms. McCleary asked what was considered reasonable. Mr. McVea said depending on which lines come out of or are they just assuming it can come out completely and they can just set a flat fee. Ms. McCleary said yes. Mr. Hopper stated it was probably a hybrid where some lines of coverage they will be able to strip the commission out and reduce the costs and some lines they will not be able to. Usually, in a situation like this it is kind of a hybrid where they will say they will agree to a maximum of $200,000 a year compensation, whether would be through fee or through commission. Once they become the Port’s broker, they will be able to fully express how that is going to be built out. But, they can certainly agree to something. Mr. McVea said somewhere between 175,000 $200,000. This is typical for risk the size. Mr. Hopper stated they were not trying to be obtuse, but they want to be as transparent as they can.

Mr. McVea showed how they build a risk management plan to integrate all of their resources into the Port of Lake Charles and their operations. What a lot of brokers will do… Everything Mr. Hopper showed the Board, that report, if they were to hire that report independently from the company that he uses to do that, it would cost about $100,000 for that report. Mr. Hopper can do that independently of their office and just work for the Port and model it and they will charge anywhere between $55,000 and $60,000 just for the modeling services. The green represented on this risk management plan are all of the resources BSX insurance represents and offers at no charge. He points it out because what you will get some of the bigger shops is they will give you a fee. They will say they will charge you XYZ to handle your risk and for that you will get this amount of resources. When you go over that, you now have an hourly rate for safety to come out, compliance to come out, for Mr. Hopper to come out and you begin to find fees six months down the road that you never dreamed that would be there. They do not do that. When they say the number would be $200,000 that is the number. There will not be any additional fees. It is hard to say a flat $200,000, because he already knows the LWCC, he feels like the comp commission is not coming out of that. He is stating his number was going to be $175,000, but he knows they have the $30,000, which comes out to about $200,000. Mr. Hopper said that if they like what BSX is doing and decide to move forward and one a hard-maximum number, that is easy. They not trying to be obtuse. They are trying to be as transparent as they can. Mr. McVea said it was harder than it sounds because of the contracts with the carriers that they have no control over. Mr. Allison said it is also hard because you have to avoid what is called rebating the insurance law. In other words to do that, you have to get them to go back and take out everything they can take out. If they cannot take it out, then they feel like it needs to be disclosed. When he was at Shaw, what they had to do is London would not take it out. So they had to have the broker set it aside. They could not pay it back to them because that is illegal, but they could set it aside and use it to make future purchases with it. There are a lot of different things you have to look at depending on what the actual carrier will do. London does not like to take that out and there is a reason. They put out a set of numbers and a set of rates to everyone and they do not intend to change that. The minute they would start backing out of commission or change that rate, they would then be giving someone an advantage in the market. They do not want to do that. They try to keep themselves totally clean by not backing it out. If you have an issue with your client, work it out. It ss why they would have to work their way through and try to figure out how to get the proper compensation that everyone would think is fair. Mr. McVea said that theoretically, if you just offer a flat fee and that number, they could be making $400,000 in a flat fee and that is not responsible for being transparent with the Port.

Mr. Dixon asked how the Port would pay them. He said it was a little bit cloudy but he can understand how the Port would pay them. They answered his question about what they would do for the Port of Lake Charles. That is all he had asked.

Mr. Perry asked if how they handle claims was mentioned. He said one of the issues here is that he is local. He lives about ½ a mile down the road he was on the city Council this was in his district. Having boots on the ground like Mr. Hopper talked about this building and showed him the graphics. Perry said that is not where it is. It is over here. If something happens here he is here. He has been here forever. Team is here. If they call the CEO of their corporation, which is over him and he tells them about the Vinton drainage ditch, he knows exactly where it is because he hunts over at the Marsh Club. They are not talking to a bunch of people up in Seattle cannot get to the airport because they are burning down the town. They are talking to someone that is in Baton Rouge where a lot of their head people are and know how to get here.

Mr. Eason said to correct them if he was wrong but this is a contractual obligation between the insurance company and their agency or any agency. He understands that because he has the same thing in his world. They call it a (inaudible) perspective. If he deviates from what the perspective says, could lose his license. Mr. McVea stated that was the perfect example. Mr. Eason said and even closer to home is that everyone has a co-pay for their health insurance. That is a contract. Many doctors say they will not charge you the co-pay. Technically, they are violating the contract. It does happen a lot. It gives them an unfair advantage one person charging a co-pay and someone else does not charge a co-pay. There has to be a level playing field. There are regulations to support that. He understands what they are saying that if it is $125,000 fee for a $250,000 fee, you are still paying that 10% commission. It is in the contract. Mr. Krielow said someone is getting it. Mr. Eason said it may not be going to those guys but someone is getting it. Mr. McVea stated that was correct as the Port would be paying it. He said that is why they did not put a number in there as they do not know the details of that contract. Once they get into it and discover it, the Port will know the detail of how every premium and commission is paid for every line of coverage that is represented in that coverage analysis.

Mr. Eason said that the Port is 80% premiums in property, should they have somebody with an expertise in property or maritime. Mr. McVea stated he would choose property. You need both. Mr. Hopper said you do need both, but the level of introspection that they deliver in their modeling reports is very difficult to be matched in the marketplace. Mr. Eason stated he is trying to understand a building that was built in 2019 is now gone. It is not like this is been here for 25 years. Mr. Self stated that it actually has three stories.

Mr. McVea stated that he drills down and his team drills down to things like if their glass is still tempered. Did you know that your front doors are tempered glass fully reinforced? If he puts that in his modeling report it changes the numbers. Mr. Hopper stated that even the eaves of the roof and design changes things. They are analytics people. There is a time where it gets too big and you lose the value of knowing the account and that is where the data matters. That is why they have structured BSX insurance the way they have. They think they are just big enough and just the right local to understand risks in a way that he thinks the bigger you go, you begin to lose some of that knowledge of the risk. That is who they are. And that is how they tried to insure risk. That is what all of this information is about. In terms of accountability, and how that will look and what they will do, that calendar that is in the back of the book is breaking it up into four quarters for a 1-1 renewal. What they will do in the first three months, whoever is meeting with their team, their team will be here and spend time, come by and take pictures and looking go through that whole risk. The Port has a lot of equipment here that he will be involved in that process. A lot of the bulk handlers. He has seen some crazy things at Ports where you have a wind event and two cranes collide and booms are going different directions and are off the rails. There are contract obligations to ships. There are business interruption things going on. There are just so many moving parts. They will also need to be rebuild the crane and fix the boom. They have to straighten that. There are not a lot of people that know that equipment. There are only a couple of adjusters in the entire country that know how to adjust that claim correctly. If you do not get out there directly and be involved in have intimate knowledge of that equipment, they can do it wrong the claim will not be the value it should be for handling that in getting it repaired correctly.

Mr. Dixon asked if they were going to come in to every building that the Port has. Mr. Hopper replied that they will. Mr. Dixon asked if they would go through this whole thing and tell him about the windows and doors and such. Mr. Hopper stated they would. For example, they insure the LSU Tiger Athletic Foundation. They do not insure the whole football stadium, because the bowl is insured by the state. They insure the $350 million additions that wrap around it. The foundation and the Board of Trustees called him in to figure out how much flood insurance because of the levees, how much wind they need to buy and earthquake. Everyone is talking about earthquakes in Baton Rouge. He lived in Memphis for 20 years the fault line is an awesome place to potentially live. He went through every single room of that entire facility, which after going through that stadium he has a tremendous amount of respect for the program. Regarding earthquakes, he goes to do his modeling and he gets to the earthquake page, there is almost no loss projected. Everyone is telling him earthquakes are big problem here. Obviously, he did something wrong, so he reached out to the modeling company and asked what he did wrong. They called him back and told him to go to a website. All of the seduction zones underneath Baton Rouge, all of these fault lines are moving away from each other as opposed to the ones in California and along the Mississippi River in Memphis is are moving towards each other building energy. You are not looking at energy buildup under the stadium. The addition that has all of the skyboxes not mechanically connected to the bowl. It is literally cantilevered and sitting up against it. The earthquake risk that you have in Baton Rouge, that was perfect engineering to reduce risk because as the seduction zones are moving there will be no damage to the building.

Mr. Perry said they try to put together a report card to get with the Port and go over the things that they would like to do with the Port and to ask what the Port would like to do. They will put them on the list and put them on a calendar and then check them off as they are done and see if they did do what they said they were going to do. Did they look at all the buildings that lost control look at everything.

He thanked the Board and the Board thanked them for their presentation.

The next group to present was LA Companies represented by Greg Wilson and Ken David, Adam Guillory and Kristie Garcia. They gave their presentation. The presentation is on file in the Port’s Executive Office.

After their presentation, Mr. Krielow asked the Board if they had any comments or questions.

Mr. Eason stated he is not in their world at all. He is in investments. With that being said they have been talking about a flat fee right now. He asked if they had any other clients that are on a flat fee or on a commission basis. Guillory stated they have all of the above. Where they are legally allowed by the Department of Insurance, they prefer to work on a flat fee. It takes the commission completely out of the situation. Clients that have large losses or bring on a more fleet of vehicles or whatever, these premiums will generally go up and commissions will go up. They do not necessarily like to play in that game. So, they are legally allowed by the Department of Insurance and would like to work on a flat commission basis. They also have some that are fee-based and commission based. They also have a large number of their clients are still traditionally commission based.

Mr. Eason stated that in his world, he could give somebody a flat fee, but the products that he uses have internal expenses that generate revenues back to his company. Does that exist in the insurance world? Mr. David asked if this related to any kind of software package or service that they would provide. Mr. Eason stated that this was expenses. Whoever their insurance carrier may be, there is a built-in cost or contractual obligation, maybe they would not receive it because they are going to work on a flat fee, but would it still be paid to the company or whoever you are working with. He asked if there is such a thing as flat fee. The Guillory stated that a flat fee is a flat fee. Ms. Garcia there is something called a net commission. What they would do is back out of the percentage that they would allow for them and then the premium would be flat at that point. Mr. Eason asked if their contracts allow them to back it out. Mr. Guillory stated that was true. Mr. Guillory said that he used the word legally allowed by the Department of Insurance. There are certain bullet points that insurers have to meet in order for an agency to do so, and the Port clearly checks several of those boxes - size premium, marine operations, deductible or possibly retentions would trigger a lot of those things where it could be a netted commission basis. Ms. Garcia would be the one to negotiate netted commission quotes they would disclose that fully to the Port in writing and then their flat fee.

Mr. Lorenzi said they have over 30 clients in the public section in the marine world. Separating the two, how many clients do they have in the marine world? Mr. Guillory stated that he was not sure on the top of his head. He would have to look at their book of business. Marine could venture on from shipyards to stevedoring to true tug boat operations and support contractors. It is pretty broad. Mr. Lorenzi asked if he had worked with any Ports. Mr. Guillory said through their Assurance Global Partners they have, but none in Louisiana.

Mr. Lorenzi asked if any of them personally had any experience with another port or port operations similar to what they would be doing here. Mr. Guillory replied that for displacement and coverage reports and risk management he did not. None of the others had port experience either.

Mr. Lorenzi stated they said that one of their brokers was looking at the coverage regarding breach of contract, defense, contractual liability, and failure to give notice. He asked if they could be more specific on this topic. Are they looking at any kind of substantial savings? Mr. Wilson stated he gave them a copy the actual policy so they could look at exactly what the Port has. They know the market to actually write that as a model line and focus on that industry. Mr. Lorenzi asked if it was a broader coverage. Mr. Wilson stated it was. He said they thought they could both get broader coverage and financial savings on that. No one wants to commit themselves in writing before they go to the market because things ebb and flow. But, looking at when he turned this in, they said yes, according to market they thought they could do better on price and on coverage.

Mr. Dixon stated they were talking about coming in looking at the Port layout to get the insurance coverage that they need, who would do that and how would they do that. Mr. David replied that they have a team of risk control experts that would come through, not only from a coverage standpoint, but also conduct mock OSHA inspections at the Port’s facility. They are mainly looking at any types of slips or fall hazards or anything that could cause a worker’s comp claim, but also throughout that process getting a general grasp of what exposure was out there right now so the they could better understand and actually lay eyes on what the exposures are from a property standpoint. They are actually Louisiana Companies employees.

Mr. Dixon stated the Port has buildings out here that are demolished. How would they make a determination of how to put a price on coverage for them? Mr. David asked he meant as far as an evaluation on what is being insured? Mr. Dixon said that was correct. Mr. Dixon stated that the Port is going to rebuild these buildings. Mr. David asked him if he was talking about what the new value would be or what it is right now. Mr. Dixon said to give him both. Mr. David stated that if you rebuild the building, you know what it is worth and because you just paid for it. But, as far as between now and the final completion of the building is, they could walk through with underwriters who would bring appraisers out there to get a good determination so they would know what the building is worth.

McCleary asked regarding their proposal of an annual fee, how did they come up with the $200,000. Mr. Guillory said to take a look at premiums associated with the time, the marketing efforts, building a risk a services plan that he thinks everything on this timeline is meaningful to both of their entities. He does not think there is anything in there that they have included that would be considered fluff and not impactful to this entity. They backed into the number of hours the teammates are going to put on the Port’s risk from their firm, they felt like that was the adequate number. It was several different factors. Ms. McCleary said was that like the no travel expenses or overnight stays. The Guillory stated they are about two minutes down the road, so they are good.

Ms. McCleary said if she understood them correctly, he feels very confidently that the commissions can be backed out of the premium. Mr. David said in situations where the carrier will not write net of commission, the commission dollars paid or back off of that fee. He has had a business where a carrier flat out says they will not write net of commission, so if their fee is $100,000 he will make $25,000 in commission off of that policy, the fee now become $75,000. Ms. McCleary asked how they would know that. Mr. Guillory said they would disclose all quotes to the Port. Everything is an open book from their side, so to Mr. David is exactly correct. Some carriers that are standard carriers have their rates filed with the Department of Insurance. They possibly could not take out their 10 or 15 points and his group would just back it out of their $200,000 fee. It is not $200,000 and three other lines of coverage had commission so now it is $275,000. It is $200,000. He stated they would find a way to get to $200,000. In a perfect world it is all net of commission, fee base of $200,000, but there might be some math that they have to do along the way to keep them there at $200,000. Mr. David stated that it would also include contingency income as well for standard carriers such as Travelers, AIG, and Liberty Mutual. If there is anything placed with them, there could be some contingency points on the back in that they would get for business placement. Anything that comes out of that would also be reduced from that fee.

Mr. Wilson said he was trying to read between the lines along some of this questioning. Transparency is a huge aspect of what they do. It is part of the reason why they use the risk service plan. They view every client as a partner. Their goal is for the client to understand as much as the client wants to understand about their world and what they are doing. There is nothing behind the curtain. That is how they have thrived and made a difference in the marketplace. He wants them to understand they will go to work for them and in the Port will be partners with them. If there are any questions they have about the process or commissions they will be transparent about it.

Mr. David asked if there was a reason why the expiration dates are spread out throughout the calendar year. Is it for budgetary purposes? Mr. Self stated originally the property was during hurricane season so they moved it to December. They did mirror the general liability, excess liability to bumpershoots to October. The others they just left such as the auto renewal, police professional’s liability in October.

Ms. Garcia asked about the agents currently on the account. Do they work in tandem or are they on their own portions? Mr. Self replied that the Port has a single broker who was AON. They were acquired by USI. The Port deals directly with USI for all of the renewals and coverages.

The Board thanked them for their presentation.

Mr. Guillory said that by the Port going through this process the right way, it they will meet a lot of smart people and very impressive people and firms. Their firm will do in the best interest of the Port all of the time. They are local and probably do the same job as the big guys.

The last group to present was Gallagher represented by Nancy Sylvester, Adam Yglesias, Joey Sylvester and Billy Gage. They gave their presentation. The presentation is on file in the Port’s Executive Office.

After their presentation, Mr. Krielow asked the Board if they had any comments or questions.

Mr. Eason stated that in his world there is no such thing as a flat fee. I does not know if this is something they do very often. He knows this is not the way they have done this in the past. What percentage of their clients are on a flat fee? Is it more of commissions? Ms. Sylvester said that theirs are more flat fee. Clients include the state of Louisiana, the state of Mississippi, the New Orleans convention center and the Superdome are all flat fees. The Port of New Orleans is a flat fee. Texas A&M is a flat fee.

Mr. Eason stated that what he is trying to understand is in his world he can give a flat fee to someone, but who he contracts with has internal expenses that create revenues. It may not get to him, but it gets to his company. Ms. Sylvester asked him to repeat his comment. She then said how do you make more money that way. She said she said it stupidly. Mr. Eason said she may not see it as the agent, but revenues exist in different products or companies that you deal with. It is built into the product in his world.

Ms. Sylvester said regarding this there are two things. One is contingencies. If you have so much business with a carrier and you have no losses, it does not apply to excess and surplus in markets. For the Port they are looking at ENS, VNS, standard and the whole thing. It does not apply to the carriers that are on your book. They have a massive account that they did the renewal on today. She asked them to sign the letter that says no contingencies. Nothing comes in the back door and 99% of their markets are excess and surplus, which does not do contingencies. But, they had one carrier that had a tiny policy with Travelers that conceivably could do contingencies and they told her group not to do it and they signed it away. Then your question is but are you going to all of these wholesalers. There are two ways to do that. She has markets to do both ways. One way is RPS is owned by Gallagher. It is a wholesaler. They can control them and tell them what the rates are going to be and keep them low. You would say okay, Gallagher maybe not. Gallagher retail, the big Daddy Gallagher is making more money. They do not have to go to RPS. Who they use as much is (inaudible). It is not Gallagher. It never comes back around to Gallagher. To say they are audited hand over foot, they are audited hand over foot because Daddy Gallagher is not going to lose this award and that is that. There is an exception and it also would be a deal breaker for her. The London team for property and the Gallagher’s London team is the strongest team out there and every underwriter will say so. If you said that just means Gallagher London gets money and it does not necessarily cross the pond, but Daddy Gallagher gets some of it. Is that more money to her business? No it is not. Is it Daddy Gallagher’s? Yes. If she cannot use that London property team, they will not be successful for the Port. She knows that. Underwriters will tell anybody that the Gallagher property team is the strongest they have seen. It is a massive team. That is her one exception where money would come out differently. Everything else is closed and is a flat fee and there is no money trading hands. One exception in her life and possibly the Port’s is the Gallagher London property team. They are the best. They bring success. If you call the Melissa Harris of the state of Louisiana, she will say the same thing. That is her exception. Other than that, that is it.

Mr. Eason asked from what they have heard most everyone said it was about a 10% commission in the previous 12 months on their $5 million premium or about $500,000. If they would have had a $200,000 flat fee last year, would their premium have decreased by $300,000 approximately? Ms. Sylvester replied that last year it would. But, having said that, there are two ways to do this, but you can only do this once. They would get it quoted and be successful. They will quote it with a commission. Right before they come to the Port, they will say here it is with the commission. She will call them and tell them that they forgot to take off the commission and they are net. That is when you will get your $300,000 back. If you go back and asked to be quoted net from the beginning, you never really are sure if they are playing you fairly or are keeping some money. It is a bit of a sneak. That game only works the first time because then they will know. Every time they pick up a new account on a fee, that is what they do and they will show it all to their client. This whole thing is transparency. That is why they have it.

Mr. Lorenzi said that everyone has talked about transparency and they have heard something different from everyone. He asked if the annual fee of $265,000 was correct. Ms. Sylvester stated it was. Mr. Lorenzi said it talks about a cap of any intermediaries at 5% domestic and 7.5% international. He asked her to explain what this means. Ms. Sylvester said domestics will work for less than London does. In her example, LSU and the state of Louisiana where 30 points were being given. They have taken over accounts recently where the commission being charged was about 15% by the domestics, which are domestic wholesalers for the excess and surplus market. For example Sompo, AIG can be excess and surplus. The distribution method for those carriers is you have to go through a wholesaler to get through them. She said her group will go directly to every market that will allow the distribution to work that way. There are a ton of markets given the Port situation, your location, your Port and your claim that you have to go through ENS to build your program otherwise you will not get it. What they do for the domestics is they do not want Gallagher making sneaky money around. In that case they would go to someone else and tell them if they want to work on this account, they are limiting their 10% commission to 5% commission. They will agree to that.

On the London side, they make between 10% and 20% commission. Her group will tell the London team that she was just talking that 7 ½% is what they will be getting paid here. That is what the state pays, LSU pays and the New Orleans convention center pay. They take it because their table is so full. If they want to be at the table, they have to work for less. There is also no way around it because you cannot go directly to London. It is not allowed. You cannot go directly to the ENS market because it is not allowed. There is something called ILS in Bermuda. It is just not allowed. Those are pieces that could conceivably and probably be part of the Port’s program.

Mr. Lorenzi said that he wanted make sure he was clear in that she said they calculate the Port is currently paying fees and expenses of somewhere between $650,000 and $700,000. She stated that was correct and that comes from the premium the Port is paying. She assumes it is 10% to the retailer and from what they have heard through the grapevine that potentially what the wholesalers are charging, it appears the Port is in a situation like the state. Because, when you are a company, you can control what is happening here, but they cannot really force these other companies to get along. They do it differently because they have so much in the relationship there. If they do not want to play then fine. They will find one who will. Most do not ask why. What could be worse, missing data on your SOV is driving your premium and it is making more revenue for all of those people. This is public money. If they do not do their job and make sure that the Port is as tight as it can be, and have all of the documentation, it is a problem for all of them.

Mr. Lorenzi asked if these terms would actually be incorporated into any agreement entered into with Gallagher. She stated they would be.

Mr. Lorenzi said that on page 13 it talks about strategy for renewals. It sounded like she was saying that everything would be placed internationally because everything was across the pond. But, when they started talking about the commissions and all, then she started talking about all domestic. Is there some mix or some preference? She replied that you need competition. The Port is doing competition right now. They are interviewing brokers. The trick is to create competition, not only between markets, but to create competition between those wholesalers. The London wholesalers want to write as much of your account as they can and the domestics want to write as much as they can and Bermuda wants to write as much as they can. You let those guys go at it and let them know that sorry, this other company is doing it for 10% less. You create competition not only between the markets, but you create competition between the people trying to put it together. It is like an internal chicken fight, but it works. It is why the Port of New Orleans has so many markets trying to get on their program because they want to be a part of that. The battle is on. She is at the domestics telling them let London is taking their role. It is a battle. It just serves to bring the money down. If there was no competition you are nowhere.

Mr. Lorenzi asked if there was any reason why there would be any cause for concern with them representing the Port of New Orleans or any other port or maritime industry. Ms. Sylvester replied that it would not be a problem. She is working with a small port right now that works closely with the Port of New Orleans. Gallagher ensures 60 to 75 ports across the United States. Mr. Lorenzi said it was 83.

Mr. Dixon stated that he did not have any questions but he thought the presentation was really good. She is an asset to their company.

Ms. Sylvester made a comment to the attorneys. She spends probably four hours a day talking with attorneys on third-party restraints, contracts for vendors, insurance requirements and such. You do not get that in law school, so most of her day is with attorneys helping them through those little items. She will be on their team and has an attorney that will be on their team.

She thanked the Board. All of the presentations were made.

Mr. Krielow asked if they were going to make a motion tonight. Mr. Ringo stated it was at their pleasure.

Ms. McCleary left the meeting at 4:50 p.m. Mr. Ringo said she cannot vote. They do have her tally. Mr. Ringo stated the Board will have to make a motion to get four votes to hire to direct them to enter into a contract. Mr. Self asked if it was okay for them fill out their form and have Mr. Landry tally the votes and say who won. The Board members agreed on this.

Mr. Self stated that the committee that reviewed the evaluations as they went through this process over the last few months were Cameron, Jared and Lisa. They were the ones that worked most closely with the insurance. He asked the committee if their opinion has changed in the ranking. Mr. Landry stated he sticks by this decision he made the first time. Lisa and Jared also stuck by their first choice. Mr. Self asked the Board to include that into their calculation. The committee agrees with their first evaluation.

To Krielow asked if they were to take price out of evaluation, it would be a different conclusion. Mr. Landry replied that there was a good possibility. In reading the proposals, yes, absolutely. Mr. Krielow said that to go on substance of qualifications and strategic approach the staff committee would have a different conclusion than it came up with because they used price as a factor in their decision. Mr. Landry stated that that was correct.

Mr. Self asked the Board when they tallied their votes, to write who it is that you are wanting… Mr. Krielow stated they had the space. He wanted to make sure they were in the right space.

The Board took a recess at 5:39 PM.

The Board returned into regular session at 5:44 PM.

Mr. Ringo stated that just to be clear what the Board is doing is each member selected a broker they would like to rate as the highest. Mr. Landry is looking at which brokers were selected as the highest by each Board member. He wanted to make sure that everyone knew that they were not calculating a total for everyone in doing that. Mr. Self stated that that was correct.

Mr. Landry stated that there were three votes for BSX and three votes for Gallagher.

Mr. Ringo stated that the board can make a motion and see if anyone can get four votes and go with that or you can table it. Mr. Dixon asked what happens if you take the President out. He said he could only break a tie anyway. Mr. Lorenzi asked if he knew because they did not put their names on it. Mr. Ringo stated that the Chairman can vote if he chooses. Mr. Ringo said this is separate. What they are doing here is separate. Mr. Lorenzi asked Mr. Krielow if he had submitted a tally. Mr. Krielow stated he had.

Mr. Krielow’s said that based on the Board’s tally he asked for staff’s opinion. Mr. Self said staff stayed with McGriff. Mr. Krielow asked if you took price out where would be. BSX was number five. Mr. Self stated that the committee ranked Gallagher second if price is included. But, he thought they ranked Gallagher first if price is excluded. The committee ranked Gallagher overall second. If you exclude price, the committee ranked Gallagher first.

Mr. Ringo said someone should make a motion and see how many votes you get.

Mr. Lorenzi offered a motion to adopt Resolution 2021 – 012 to accept the proposal and enter into a contract with Gallagher for insurance brokerage services. Mr. Prudhomme seconded the motion.

Mr. Ringo stated they needed to do a roll call vote.

Mr. Dixon no

Mr. Lorenzi yes

Mr. Krielow yes

Mr. Prudhomme yes

Mr. Eason no

The motion carried by three votes to two in favor of Gallagher.

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2. Other Matters which may properly come before the Board.

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There were no other matters to be discussed.

There being no further business to come before the Board, Mr. Krielow asked for a motion to adjourn. Mr. Dixon offered a motion to adjourn. Mr. Lorenzi seconded the motion and it carried unanimously. The meeting adjourned at 5:49 p.m.

All discussions held on the above items were recorded using the FTR Gold program.

Please note that when the votes are shown as unanimous, it is the policy of the Board that the President does not vote except in the event of a tie vote by the rest of the Board and/or unless otherwise indicated.

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CARL J. KRIELOW, President

ATTEST:

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M. KEITH PRUDHOMME, Secretary/ Treasurer