

# Louisiana Horsemen's Benevolent & Protective Association, Inc.

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June 15, 2013

As president of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. ("1993, Inc."), I'm sending this today because of concerns I have with our workers' compensation insurance program. Last week, the trustees of the Horsemen's Workers' Compensation Insurance Trust ("Insurance Trust") voted to change the agent of record with Midlands Insurance, a wholesale broker through whom the excess insurance and out-of-state coverage is obtained.

In connection with the renewal of the workers' compensation program for the 2013-2014 year, the trustees recently received renewal quotes. There are two parts to a quote. The first part consists of the premium for the excess coverage on in-state claims and the out-of-state coverage. The second part is the fee paid to the retail broker or agent who procures the coverage. In the past, the fee has compensated the agent or broker for the time and effort expended in obtaining the quote and negotiating the premium to an affordable level.

Gallagher Insurance was the only company to provide a quote on the insurance for the 2013-2014 policy year. Gallagher had three quotes with the quote from Midlands Insurance having the lowest cost for insurance. This was after John O'Brien with Gallagher had renegotiated the premium down from \$540,000 to \$501,000 saving us \$39,000. Gallagher's fee was \$150,000, the same as it was for the 2012-2013 policy year. Andreini & Company, an insurance broker from California, also made a presentation. Andreini did not bring a single quote for insurance, claiming they were unable to find any insurer to quote. The only quote they made was to be the broker for a \$100,000 brokerage fee. However, their quote was based on their using the low bid that Gallagher obtained from Midlands Insurance.

Initially, the trustees instructed one of our employees to negotiate with Gallagher to get Gallagher's fee down to \$125,000. After negotiating the fee down to \$125,000, he reported that fact to Sam Breaux who is the Chairman of the Insurance Trust. Mr. Breaux then said that \$125,000 wasn't low enough and he instructed our employee not to negotiate any further with Gallagher. Last Friday, the trustees of the Insurance Trust voted to change the agent of record with Midlands Insurance so that Andreini and not Gallagher would be the agent of record. The three trustees who supported the change (Sam Breaux, Tom Abbott and Arthur Morrell) said it was because they were saving \$25,000 on the brokerage fee. This past Sunday, John O'Brien offered to cut Gallagher's fee to \$75,000, but was told by Mr. Breaux it was too late and the trust would not consider his new bid. If it was all about money then why would they not consider the new bid?

I strongly disagree with how these three trustees of the Insurance Trust acted to take the quote obtained by Gallagher and give it to Andreini. Andreini did absolutely nothing to obtain this quote. In giving Gallagher's quote to Andreini, I am concerned that those three trustees may have exposed 1993, Inc. and the Insurance Trust to a lawsuit by Gallagher for the uncompensated use of its work product. I am also concerned because under this precedent, a broker need not expend any time and energy obtaining an insurance quote in order to get the business. If competing brokers do not have to obtain insurance quotes, there is no incentive for any broker to negotiate the lowest insurance premiums for our program. A broker only has to be concerned with quoting the lowest brokerage fee. Of course, the lower the brokerage fee, the less incentive and room there is for the broker to expend time and energy negotiating the lowest premium.

In closing, I want you to know that, as your President, I will always work to make sure we are doing everything properly and I will always look to improve the ways we operate. At this time I have great concerns about the way the Insurance Trust has gone about the business of obtaining the excess policy for next year. It is critical that politics be left out of the operations of the Insurance Trust and that the Insurance Trust operates in an exemplary fashion so as not to incur the disfavor of the Louisiana Department of Insurance.

Stanley Seelig  
President, Louisiana HBPA

For the Full Version of this Letter, Please Visit Our Website at [www.lahbpa.org](http://www.lahbpa.org).