

INSURANCE ADVISORY BOARD MINUTES

City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Wednesday, May 7, 2008– 8:00 a.m.

Board Members	Meeting Attendance	1/08 – 12/08 Cumulative Attendance	
		P	A
Joseph Cobo, Chair	P	4	1
Mark Schwartz, Vice Chair	P	5	0
Randy Swenson	A	3	2
Ted Hess	P	5	0
Christopher Pretera	A	2	3
Roger Bond	P	5	0
Joe Piechura, Sr.	P	5	0

Staff and Guest

Denny Stone, Employee Benefits Coordinator
Guy Hine, Risk Manager

Roll Call

The meeting was called to order by Chair Joseph Cobo at approximately 8:00 a.m.

Approval of Minutes – April 10, 2008

Motion made by Mr. Piechura and seconded by Mr. Schwartz to approve the minutes of the April 10, 2008 Board Meeting. Motion passed unanimously.

Introduction of New Employee Benefits Coordinator

Guy Hine, Risk Manager, introduced Denny Stone as the new Employee Benefits Coordinator.

Mr. Stone stated that he worked in Missouri for the last four years doing benefit programs, and before that time he was doing consulting work for public entities. He explained that they were reviewing all the necessary data. He said there are some challenges with some of the carriers, and he wants to make benefits easier for employees to understand. He further stated that it was a pleasure to be part of this organization. He is presently commuting from Vero Beach, but they would be moving to Fort Lauderdale in the near future.

Mr. Hine stated that items would be presented in connection with the health side, and they had just finished the actuary report. Changes are needed and there is a large surplus, but it is headed to where the expenses would exceed the revenues. He explained that they could not ask for more money because of the surplus. He further stated that the rates had not increased for about four years, but with an 8% to 9% increase in expenses, the revenues are being exceeded.

Mr. Bond asked if enrollment had risen or had utilization gone up.

Mr. Stone stated that some of it is due to medical inflation. The increase in costs last year was about 8.1%. They are also going to look at the drugs and what specific claims had increased.

Mr. Hine explained that the two biggest increases were medical and prescription drugs.

Mr. Hess asked what was the current amount of a co-pay. Mr. Stone explained that it was \$10, \$25 and \$35, but there had been no increase in rates for a couple of years. In the Midwest he had seen an 11% to 12% increase in claims costs, but with a self-insured plan they should be able to see where the costs were located. There was not enough analysis available at this time.

Mr. Piechura asked if there were any contracts in place with unions that would preclude them from raising rates. Mr. Stone stated that he was not sure, but was aware of a matter involving the firefighters at this time. Mr. Piechura also stated that if they were seeing an 8.1% trend in the programs the City was controlling, that was below the private sector, which were in the double digits.

Mr. Cobo stated that employees should understand that if utilization goes out of control, so does the cost, and that is where the education vehicle came into play. This had been the problem originally.

Mr. Stone further stated that the City's plan was rich. He explained that they were reviewing the claims history for employees. He further stated that AvMed was doing other counties and were very strong in Florida, and appeared to be a very creditable group.

Mr. Hine remarked that Workers' Compensation was moving in the right direction as they had a chance to review the claims and determine the areas of exposure. He believed that given the opportunity, Mr. Stone might be able to do the same thing with the Health program.

Unfinished Business

Procedures for the Purchase of Insurance

Mr. Hine explained that he added some of his thoughts regarding the Ordinance. He stated that some previously proposed changes had been viewed as too drastic. The intention is to make fewer changes to the Ordinance, while allowing utilization of the broker of record, currently contracted with the City. One of the biggest aspects that had not been addressed to date was the wording on whether or not the City should market their insurance at any given time due to the market conditions. This would be a substantial change to the current process and may be a challenge in getting the City Commission to agree to the ordinance changes due to the current competitive nature of the process. He stated that he wanted this Board's opinion as to how to bring up this issue. He felt it should be worded that the Risk Manager obtains advice from the Insurance Advisory Board and the broker as to whether it would be appropriate to go out to market, depending on the market conditions.

Mr. Hine stated that currently there were two resolutions with every insurance purchase, which was at least somewhat cumbersome. He explained that he had made a change on the second page, third line, which originally stated: "The City Commission shall by resolution..." and he did not know if the resolution aspect was necessary. He stated that at the last meeting, Stephen Scott, Assistant City Manager, explained this would be placed on a Conference Agenda for a discussion. He believed the biggest hurdle in educating the Commission, would be whether they go out to market or not.

Mr. Hine explained that if they went out to market every year for all the insurance, then they would deplete the market. The Board agreed.

Joe Piechura asked what the renewal date was on the workers' comp contract. Mr. Hine replied that it was October 1st. He added that Rutherford's contract expired on December 20th and that he was very happy with that group.

He further explained that, as the risk manager, he had to make decisions as to how to best protect the assets of the City. Sometimes insurance is not the answer. For example, if they made certain kinds of insurance mandatory, they could end up losing employees such as tennis instructors. Considering the amount of money the City invested in their tennis courts, it would be difficult to explain why they had no instructors.

Mr. Hine also stated that, in support of using a broker of record method of purchasing insurance, they had previously completed charts, which documented the savings for the City by using a broker of record (flat fee) as opposed to paying commission fees on every purchase of insurance. In addition to this savings, which was approximately \$60,000, the City needs to consider the savings of the previous consultant.

FM Global Hurricane Wilma Claim Update

Mr. Hine explained that the necessary documentation had been forwarded to FM Global. PBS&J was hired as an extension of the City, and they put together loss adjustment work and collected property damage fees. He was concerned about the professional fees and believed their own people could have worked on the hurricane issues.

The Board agreed that hiring the consultant could have been an option, thereby using City employees more advantageously.

Mr. Hine stated that a report would be given to the Board at their next meeting.

Procurement of P&C Actuarial Services

Mr. Hine stated that an RFP was out on the street and feedback was being received. The bid would be open towards the end of May and a report would be provided to this Board at their next meeting.

New Business

Workers' Compensation Update

Mr. Hine proceeded to explain a graph that had been distributed. As of the end of April, they were at \$38.4 Million. Recently, they were hit with a permanent total (PT) case that was lost and they would end up paying on. He believed they were now going in the right direction. He explained that he did not want to see a lot of litigation in these matters because they don't win them. He stated that they had to pick their battles in that regard.

Examples of two cases were discussed.

Mr. Hine explained that the figures shown were as of April 1st, and he believed they would go down in the future.

Mr. Hess asked for the amount of the average claim payment. Mr. Hine stated that he would check and report back to the Board.

Mr. Hine further stated that the litigation expenses were a problem as shown on a graph he submitted. He stated that the figure for 2008 was a projection for the year. At the present time, they spent about \$375,000. He believed they were holding steady, but he would like to see the costs decreased.

Meeting Schedule

The next Board meeting would be scheduled for June 4, 2008.

Motion made by Mr. Schwartz and seconded by Mr. Piechura to adjourn the meeting. The Board unanimously approved.

There being no other business to come before the Board, the meeting was adjourned at approximately 9:00 a.m.

Respectfully submitted,

Margaret A. Muhl