

INSURANCE ADVISORY BOARD MINUTES
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Monday, June 2, 2008 – 8:00 a.m.

Board Members	Meeting Attendance	1/08 – 12/08 Cumulative Attendance	
		P	A
Joseph Cobo, Chair	P	5	1
Mark Schwartz, Vice Chair	P	6	0
Randy Swenson	P	4	2
Ted Hess	P	6	0
Christopher Pretera	P	3	3
Roger Bond	P	6	0
Joe Piechura, Sr.	A	5	1

Staff and Guest

Denny Stone, Employee Benefits Coordinator
Mike Walker, Procurement & Contracts Manager
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 – May 7, 2008

Motion made by Mr. Schwartz and seconded by Mr. Bond to approve the minutes of the May 7, 2008 Board Meeting. Motion passed unanimously.

Unfinished Business

Procurement of P&C Actuarial Services

Guy Hine, Risk Manager, said the City had a 10-year contract with Insurance Industry Consultants for actuarial services from 1998 through 2008 and it was due to expire in September. An RFP was issued and on Thursday the selection committee reviewed the 10 applicants. Glicksman Consulting was selected as the most qualified and least expensive firm. Both of the individuals on the team are fellow actuaries. Many qualities were reviewed, including experience and knowledge of the City's exposure (statutory cap).

Motion made by Mr. Piechura and seconded by Mr. Schwartz to accept the bid of Glicksman Consulting for actuarial services. Board unanimously approved.

New Business

Health Program - Status Update

Denny Stone, Employee Benefits Coordinator, proceeded to explain the three charts provided to the Board. He mentioned that the Fire Fighters settled their contract and it was ratified by 75% of the members. The City Commission approved the contract, and one of the major components, outside of salaries, was benefits. The benefits are moving from the Fire Fighters Insurance Trust to the City's plan as of September 1, 2008. The reasons were due to funding issues and high utilization of the plan. The AvMed Plan they presently have is almost identical to the City's plan, except the City has better vision coverage, along with lower deductibles.

One of the aspects of an insured plan is that there is a pad (reserves) for the insurance carrier and a commission for the broker. These will no longer be included in the City's plan, thereby creating some savings. The numbers were provided to the actuaries last Fall. The actuaries looked at the rates based on their experience and the employee rates, at least with the HMO Plan, will be significantly lower than the existing rates. The City contribution stayed the same.

Mr. Stone continued to explain that the City has four tiers: employee, employee and spouse, employee and children, and employee and family. The Fire Fighters have employee or employee and family. About half of their members with employee and spouse or employee and children will save significantly. They have 474 people in their plan with 91 being retirees. They required that everyone had to be in the plan. This is not a requirement with the City. They anticipate that possibly 20 members will drop the insurance and be covered by a spousal plan.

Mr. Stone proceeded to explain the chart showing the surplus in the plan. He explained that the City's 2002 plan was revised to include co-pays and higher premiums. By the end of 2006 the surplus had risen to \$6.2 Million. The plan has been healthy and vibrant taking the surplus to about \$8 million with an 8.1% inflationary rate for medical costs, which is well below industry averages. The actuary is forecasting 9% inflation for next year. The surplus generates interest that is now dropping with the market.

Mr. Stone explained that when the City had the severe deficit, they had put enough money into the fund to make up the difference and there had been good claims experience, and together that caused the surplus. He explained that the POS was a good plan, and PHCS is a network that can be used by POS members anywhere in the country.

Mr. Stone explained that the last chart showed how the monies are being spent. The claims represent 70%. They have been meeting with AvMed to review initiatives such as disease control areas. They want to be more aggressive in such areas. During the last few weeks, staff met with AvMed and Catalyst. Catalyst carves out prescription drugs that are at about 21% of the total cost. Runs had been performed on the highest cost drugs and staff is going to review alternatives and what generic drugs are available.

Mr. Cobo and Mr. Hess asked what were the amounts of the co-pays. Mr. Stone explained that the co-pays range from \$10 to \$30. Mr. Hess suggested that one way to move participants to lower-cost generic drugs - if a patient insists on a named drug even though there is a generic drug alternative, then they could pay the difference after the co-pay. He stated further that the next area to review would be the wellness initiatives.

Mr. Cobo asked if they reviewed the utilization by hospital facilities.

Mr. Stone confirmed and stated they have asked AvMed to provide information regarding certain procedures, and what hospitals provided the largest discounts. They have also asked AvMed to look at providers and disease diagnosis to provide a better handle in this area. One of the areas in disease control is identifying various individuals who are on certain medications, and encourage such individuals to participate in a healthy living type of program in order to reduce costs.

Mr. Hess asked if numbers per family could be provided, along with costs for single individuals.

Mr. Hine stated a status update would be provided on an ongoing basis. The employees' share has not been increased for about four years, and that might have to be considered in the future.

Mr. Hine stated that the projections show that things will not be as good down the road, and therefore, a slight increase would help the situation.

Mr. Hine stated that people expect increases, and therefore, a slight increase would not be alarming.

Mr. Stone further explained that they would not be using any of the surplus until 2009.

Mr. Hess asked if the City could remove the surplus and use it in other areas or did the monies have to be used only for the health plan. Mr. Stone explained that some funds could not be removed. They could increase the contribution of employees without going back to the bargaining groups, but under the bargaining agreements, if there was a surplus the City could not use their surpluses for other purposes.

Unfinished Business (Cont'd)

Procedure For The Purchase of Insurance

Mr. Hine asked for any recommendations this Board may have. He stated that the biggest hurdle was that the City was used to using the bid method, but the negotiation method had been used for the purchase of the property insurance and had worked out well. He feels the biggest challenge was to explain why it was necessary for the City to not go out to market all of the time.

Mr. Hine stated that the first section of the Ordinance read as follows: "The method of procurement of insurance or insurance related services shall be on a competitive bid basis, except for those situations where the Commission, after consideration of the conditions prevailing in the insurance market, finds that the negotiation process would be

more favorable to the interest of the City.” He then read section #3, “Should the City Commission decide to purchase insurance other than by bid procedure and through negotiation, the following procedure shall be followed: The City, by resolution, shall authorize the City Manager to delegate the task of negotiations for the purchase of insurance related services.” Mr. Hine stated that resolution was necessary because the Commission must be advised of the intent to use the Negotiation method. In addition, when appropriate, he would need to advise the Commission that either conditions were right to go out to market, or in other situations, conditions may not be right to go out to market. This would be included in the resolution and would ultimately be up to the Commission if the method would be approved.

Mr. Hine explained that if this was put on the Conference Agenda, he might need the Board's help.

FM Global/Hurricane Wilma Claim Update

Mr. Hine stated it took a while for the City to get things together, and FM Global has advised that while they have had the information for about one month, they needed more time but intended on meeting in June to discuss the matter.

Subrogation Follow-Up

Mr. Hine stated that the word “subrogation” was actually incorrect, and it should be “lien follow-up.” He continued stating that a questionable situation had been raised that had occurred in 2001, and the police report indicated that a seatbelt had been used. He stated that as a normal course of action, if proof were established that a City employee did not use a seatbelt, workers’ compensation would reduce the indemnity payments by 25%. When the claimant did not use a seatbelt in a liability claim, the adjusting staff would use this as leverage in negotiating a reduced settlement.

Mr. Hess asked if the use of seatbelts were mandatory. Mr. Hine stated that since it was a law, he would hope they were being used, but would look into this further and get back to the Board.

New Business (Cont'd)

Property and Liability Program – Status Update

Mr. Hine stated that last month he had provided a status update on Workers’ Compensation, which was going in the right direction. The liability, however, is not going as well as he would like to see. He did not want the Board to be alarmed with the inventory and total incurred figures because they were still at the point they had been last year.

Mr. Hine stated that last year in August they had been at \$13 Million for total incurred, and this dropped to \$10.9 Million by September 2007. In his opinion, he felt things were not moving expeditiously. He advised that the ADA Coordinator position, which had previously been approved by the Board and subsequently by the Commission, had not yet been filled because Mr. Bates had taken the lead on the ADA lawsuit and had done a very nice job of organizing it and made it a well-running machine. The City was working towards a resolution, but it would take a couple of years to resolve. Staff believed the

City did not need a full-time ADA compliance officer. However, it would make sense for someone to review the liability files because supervision was critical. He was proposing that instead of the ADA Coordinator position, a request would be submitted for a Risk Management Coordinator position whose main focus would be that of a claims supervisor review the claims. The Assistant City Manager, Stephen Scott, had taken this forward and it was scheduled to be heard on the July 1st City Commission Agenda. If approved after the second reading, the position would be posted by the end of July.

Mr. Hine stated that individual would also be designated as the ADA Coordinator and a Safety Coordinator. They would look at a salary equivalent to Denny Stone's position and it would be in the range of the mid'70s. He believed this position would help to alleviate the high inventory.

Next Meeting

The next Board meeting is scheduled for July 2, 2008 at 8:00 a.m.

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

There being no other business to come before the Board, the meeting was adjourned at approximately 8:44 a.m.

Respectfully submitted,

Margaret A. Muhl