

INSURANCE ADVISORY BOARD MINUTES
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Wednesday, September 3, 2008– 8:00 a.m.

Board Members	Meeting Attendance	1/08 – 12/08 Cumulative Attendance	
		P	A
Joseph Cobo, Chair	P	7	1
Mark Schwartz, Vice Chair	P	6	2
Randy Swenson	A	5	3
Ted Hess	A	7	1
Christopher Pretera	P	5	3
Roger Bond	P	7	1
Joe Piechura, Sr.	P	6	2

Staff and Guest

Michael Kinneer, Finance Director
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 – July 2, 2008

Motion made by Mr. Bond and seconded by Mr. Piechura to approve the minutes of the July 2, 2008 Board Meeting. Motion passed unanimously.

Unfinished Business

Settlement of Hurricane Wilma Claims

Guy Hine stated that \$1.572 million is the final figure, but they have not yet received any supporting documentation. He stated that once all the information is received and distributed, and if the Board does not have any concerns, this could be Commission approval on September 16, 2008.

Mr. Hine further stated that negotiations were involved, but the local entities did not received 100% of what they were seeking. One matter which had been negotiated was the mold issue, and Southside School reflects 25% depreciation. If they do not get started after two years, they could receive actual cash value.

Mr. Schwartz stated that they had fault for not getting the City payments on a timely basis in order to move forward with the repairs. Mr. Hine advised that it did not stop the

City from moving forward with the project. He added that one of the problems was that they did not know if they were going to do the repairs, and therefore, there was some indecision on the part of the City.

Mr. Piechura asked who arrived at the figures. Mr. Hine explained that the City and PBS&J did the calculations. Mr. Piechura also asked if a breakdown could be provided as to what applied to the deductibles, and what applied to the mold issues. He also asked what the 25% amounted to in dollars.

Motion made by Mr. Piechura and seconded by Mr. Schwartz that a breakdown be provided as to exactly where the difference lies be it depreciation or mold issues, and how they arrived at the difference between the claimed amount and the net amount. The Board unanimously approved.

Mr. Bond asked what the hold up appeared to be in regard to getting the money. Mr. Hine explained that it had to be approved by the Commission.

Mr. Hine stated that he would prefer to have a discussion with this Board once the back-up information was received before sending it to the Commission.

It was the consensus of this Board to review the information before having the matter approved by the Commission.

Christopher Pretera arrived at the meeting at this time.

Worker's Compensation Renewal

Guy Hine pointed out that excess Worker's Compensation was based on payroll and experience, and last year they had an initial quote of \$501,000 which was based on a payroll of \$125 million. Including the audit premium the City will receive this year, they are looking at about \$560,000 which could be a high figure.

Mr. Hine stated that this year based on a \$140 million payroll, they received quotes that were substantially less than last year. The premium was less because their loss trending over the past year was better than it had been in the last four years. He stated that things are moving in the right direction. He felt it would be best to stay with their present company.

Mr. Schwartz remarked that some insurers offered dividend plans, and therefore, on the front end the prices were fixed, but if their experience was better than what was projected they could receive a dividend on the backend based on the actual claims of the prior year. He asked if that was something that could be considered for next year.

Mr. Hine stated that he would check into that, but it appeared that none of the companies were willing to give an SIR of less than \$2 million. They felt that next year the amount could be less than \$2 million. It was stated that they might not want a lesser amount next year. Mr. Hine confirmed.

Motion made by Mr. Bond and seconded by Mr. Piechura to renew the contract with Arch. The Board unanimously approved.

Firefighters Healthcare Status

Denny Stone stated that he wanted to show through visuals what they had been doing for the last month, and what would be done for the remaining part of this year. He stated that firefighters were brought over this week and there was an enrollment of about 400. In the past they had been forced to belong to the plan because that was how they got funded under the trust. He advised that 27 dropped out which was an even split between retirees and active members. There were roughly 320 active members and 83 retirees. Some of the retirees' spouses moved over to COBRA.

Mr. Stone proceeded to show the split between new firefighters and the participation in the nine different plans. The big plan was Standard life term insurance, and the reason there are 2,200 members was because police and every one of the employee units were able to participate. AvMed was the next largest with about 1,900 members which was a self-insured plan. Another self-insured plan was the Guardian that would be run for four months, and they are in the process of going out to bid for this. This had not been a plan bid previously. This plan was not as rich as the citywide plan, and that was why they were keeping them separate. He explained that the City plan was an insured plan with Safeguard.

Mr. Stone further stated that in connection with the self-insured plans, they would continue doing Section 125 and COBRA in-house. He advised that they would continue to outsource the police, both medical and dental.

Mr. Stone explained they were spending about \$1 million per month on healthcare which was up about 9% from the previous year. This was well below industry averages of about 12%. They went back to Catalyst for prescription drugs, and they were getting better discounts and rebates for next year. He stated that AvMed was also using Catalyst, and therefore, they used that as leverage. The other issue regarding prescription drugs was the use of generic drugs. Since they were getting better discounts, they decided not to try and move this year regarding generic drugs. At a future meeting they would discuss how to shift individuals towards generic drugs. He explained that co-pays for prescription drugs ran from \$10 to \$30. He said if an individual chooses not to use a generic drug, they would be charged 50% to 100% of the difference in cost between the drug chosen and the generic drug. He stated that Lipitor was the highest drug and was costing them about a quarter of a million dollars per year. He added that injectable drugs could run up to \$2,000 per month. He further stated that Catalyst could probably save the City between \$30,000 to \$40,000 this year.

Mr. Stone proceeded to show a monthly schematic and explained that the revenue was generated from employee contributions which had not been increased in four years. He stated they would be ahead about \$1.2 million connection with claims and revenues this year. He stated that reserves were available, but they had to be watched because the City was dipping into the reserves in order to prevent an increase in property taxes. They should be even for most of next year.

Mr. Bond asked what was the average monthly cost per employee. Mr. Stone advised that a retiree for single coverage pays \$478, and a full family would cost \$1,600. A firefighter might pay \$30 for single, and a double could be \$60. Every bargaining group

negotiated what the contribution should be. Firefighters were at \$602 per month which is funded by the City. They would then add the \$30 to that amount. He explained that the fees for management were less at about \$15 per month for single coverage. It was asked what reserve level was desired in the reserve fund.

Mr. Stone stated that the requirement was 2-3 months. The projection was that they would like to see 6 months. He explained that they looked to see where they could cut costs. One area was prescription drugs, and the second area was wellness and preventive which did not have any quick returns, it would probably take about 2-4 years before returns were seen. He stated that with AvMed they had a health risk appraisal (HRA) which was a quick 20-30 question interview with an employee, and then they tandem those with biometric tests. Normally, when such tests were run, problems were discovered within the workforce. Their suggestion this Fall during open enrollment was that they do an HRA which were free, and HCA had the actual tests and would do them for \$10 per person. Their thought process was to use some of the reserves to pay for the biometrics.

Mr. Stone explained that the second issue was to encourage people to get involved. Management currently has a wellness program, and 256 individuals participate because they get an incentive of about \$500 per year which was tied into their compensation through HR and was funded by the individual's department. He stated they were looking at a \$25 incentive for biometrics and crediting it against healthcare premiums. Doing it in that fashion prevented taxes from being paid on that money.

It was asked if any other department or cost center could access the reserve or was it specifically marked for health insurance.

Mr. Stone stated that he did not believe anyone would be able to access the monies set aside in the reserves.

Mr. Stone further explained that there were two issues involved. Under law they had to file at the end of the year what retiree liabilities would be in the future. The Finance Department contracted to find out what those liabilities would be. If there were no reserves the liabilities would be \$6 million. If some of the monies were reserved on behalf of the City, the amount would go down to \$4 million. Per the bargaining unit contracts, they had to keep excess reserved for healthcare use. He explained further that the liability requirement was a new Federal mandate.

Mr. Kinneer explained that it was a government GASB standard, and depending on the size of the government as to when it had to be implemented. It was actuarially determined as to what the liability would be going forward. He stated that conversation would have to take place before they decide whether they would fund this. The standard does not actually require the funding of the liability, but requires the recording of it on the financial statements. There is still the option to pay as you go.

Mr. Kinneer further explained that the pre-funding was an annual obligation, and therefore, he did not think they would be looking at using any kind of reserve. He stated that annual costs were at about \$2.5 million based on the retiree payments being made.

It was stated that the GASB on pension was relatively old and this was relatively new.

New Business

Mr. Hine proceeded to introduce Michael Kinneer, Director of Finance.

City-Wide Annual Open Enrollment

Mr. Cobo stated that had already been discussed.

Purchase of Public Official Employment Liability

Mr. Hine explained that the public officials policy expires on 10/31, and the employment practice policy expires on 11/1. He provided some history on this to the Board. Nothing much had been paid in connection with the public officials policy in the last 10-12 years, and the same in regard to the employment practice policy. He stated that only 7 claims were filed in this policy year with the largest totaling about \$62,000. He stated that the City's Risk Master System left a lot to be desired, and they are hoping to upgrade soon. He further explained there were two class action lawsuits that the City dumped some money into. About 3 years ago the Finance Director had requested that Risk take out the money in those claims which were DROP cases. He believes it mainly deals with firefighters and police officers. The question is how much money the City will have to pay on those. So far they have placed about \$500,000 back into the loss reserve, and they would continue to make contributions. The City Attorney felt that if they could get \$2 million to \$3 million into that fund over the next couple of years they would be in a better position.

Mr. Hine further stated that they had a \$100,000 retention for public officials with a limit of \$1 million, and they have a \$300,000 retention on employment practices with a limit of \$3 million. He asked if the Board felt that changes should be made in that regard.

Mr. Schwartz stated they could possibly get a lower retention without changing the premium since it was such a competitive market. Mr. Hine asked where they should look or should they just explore the opportunity. Mr. Piechura stated that Travelers Insurance was becoming a player.

It was asked if the retention was per claim or aggregate. Mr. Hine stated that he believed it was per claim. Mr. Schwartz stated they could ask for an aggregate limit. Mr. Bond suggested that the broker could explore this matter further.

Motion made by Mr. Schwartz and seconded by Mr. Piechura to have Rutherford market the employment practices portion and then report back to the Board. The Board agreed unanimously.

Mr. Cobo stated that both should be marketed.

Insurance Requirement For Outdoor Events

Mr. Hine stated that David Miller, Recreation Superintendent, brought this matter to his attention, and stated that it was not an urgent matter but was a concern. Section 15-184 - Exceptions states:

(B) A minor outdoor activity means an activity which will be attended by less than 500 persons having a limited impact on traffic, parking and noise in surrounding neighborhoods, and not to exceed the capacity of the facility or other property proposed to be used. A minor outdoor activity sponsored by a charitable or non-profit organization or civic neighborhood or homeowner's association shall be exempted from the provision of Section 15-183 (b) of this article. The sponsor of a proposed minor outdoor activity shall submit all details of such proposed activity to the Parks and Recreation Department at least 30 days in advance of the event."

Mr. Hine provided some examples of where this situation had arisen. He did not think the number of 500 was a good measure to use. He provided a change to be proposed regarding the ordinance for this issue which removes the 500 number and replaces that with the following language: "Determination if the event qualifies as a minor event shall be at the discretion of the City's Risk Manager, approval of which will not be unreasonably denied."

Motion made by Mr. Bond and seconded by Mr. Piechura to support the revised language proposed for the ordinance regarding the minor outdoor activity exception for presentation to the City Attorney. Board unanimously approved.

Mr. Hine stated that they had been discussing the purchase of insurance in regard to changing the ordinance, and it will be going to the City Commission on a Conference Agenda. He asked if any of the Board members could attend the meeting scheduled for later today.

Next Meeting

The next Board meeting would be scheduled for October 1, 2008 at 8:00 a.m.

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