

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

Board Members	Meeting Attendance	1/08 – 12/08 Cumulative Attendance	
		P	A
Joseph Cobo, Chair	A	8	2
Mark Schwartz, Vice Chair	P	8	2
Christopher Prestera	P	7	3
Roger Bond	P	9	1
Joe Piechura, Sr.	P	7	3
Jim Drake	P	1	0
Charles Grimsley	P	1	0

Staff and Guest

Michael Kinneer, Finance Director
Denny Stone, Employee Benefits Coordinator
Guy Hine, Risk Manager
Matthew Cobb, Risk Management Coordinator

Roll Call

The meeting was called to order by Vice Chair Mark Schwartz at approximately 8:00 a.m.

Approval of Minutes – October 1, 2008

Motion made by Mr. Bond and seconded by Mr. Piechura to approve the minutes of the October 1, 2008 Board Meeting. Motion passed unanimously.

Introduction of New Advisory Board Members

Mr. Hine stated that there were two new advisory board members, Jim Drake and Chuck Grimsley. He stated that Mr. Drake was the Executive Vice President and Senior Consultant for McKinley Financial Services. Mr. Drake stated that he felt he could contribute something to this Board.

Charles Grimsley “Chuck” is General Counsel for United Automobile Insurance Group. Mr. Grimsley provided information regarding his background including serving as President of the Florida Property & Casualty Association.

Mr. Hine welcomed the new members to the Board and stated that he was the City’s liaison for this Board.

Introduction of New Risk Management Coordinator

Mr. Hine stated that Matthew Cobb was the City's new Risk Management Coordinator. He explained that Mr. Cobb's main job would be to handle the liability issues. Everyone welcomed Mr. Cobb.

Unfinished BusinessStatus of Open Enrollment and Wellness Initiative

Denny Stone proceeded to explain the chart included in the Board's back-up materials. He stated that they were \$1.5 Million ahead in revenues versus claims putting them at \$9.3 Million in reserves. He continued stating that they were using about \$1.3 Million per month in claims. They were now going into open enrollment and premiums will remain the same for the fourth year in a row. He explained that the FOP had their own United Healthcare plan having about 480 members. Everyone else is in AvMed, including the firefighters.

Mr. Stone further stated that the administrative expenses and re-insurance premiums were at the top of the bar chart. The Commission has approved a 2.6% increase for the insurance contract, and self-insurance was capped at \$165,000. Claims above that would automatically go to the re-insurer who will be US Fire. He explained that the re-insurance contracts are done on an annual basis, and the AvMed contract is a five-year contract.

Mr. Hine stated that there was a difference between the revenues and expenses, and the gap was closing. With the \$9.3 Million surplus in the fund, they could not go back and request an increase in contributions.

Mr. Stone stated that the consulting firm was their actuary for the self-insured plan who projected a \$600,000 surplus at the end of the year. Instead there was a \$1.5 Million surplus. There could possibly be an increase in 2010. Normally, plans have a 3-4 month reserve, but the City was now ahead of that with a 6-7 month reserve.

Inflation within the medical community was at about 8% to 9% for public entities in Southern Florida, and they were running at about 8% or 9%. There has been a trend in drugs, and they were seeing an increase in injectables. They received another \$100,000 relief from the carrier for the coming year, and they might look at formulary drugs next year.

Mr. Bond asked if retirees were included. Mr. Stone stated that retirees were included.

Mr. Hine stated that Mr. Stone took over the firefighters and open enrollment. Response to the open enrollment has been outstanding.

Mr. Stone explained that wellness was cost containment these days. He further stated that they informed Commission that they wanted to expand the program to the Teamsters and Firefighters in addition to management/confidential, and asked if a \$25 gift card could be given to each individual as an incentive to take a biometric test and get involved in a wellness program. There have been 650 individuals participating in such tests in the last three weeks. Participation in management confidential has increased by

about 70 to 80 individuals. They got about a dozen health clubs to do away with upfront initiation fees and annual memberships, along with giving a \$30 to \$50 discount so more individuals could participate on a month-to-month basis. They are trying to come up with a nutrition program to back up the memberships.

Mr. Stone added that there have been smoke cessation programs which are expensive, along with nutrition and weight loss programs. He stated that they were working with Holy Cross and Broward General in an attempt to get some better programs in place. Now, they have to see how to control costs.

Mr. Hine added that one of the biggest things about the biometric tests was that the City did not get the result information, and AvMed could work proactively on the high-risk individuals.

New Business

Benefits – Fiscal Year 2008 Results

This item was covered in the above matter.

Workers' Compensation – Fiscal Year 2008 Results

Mr. Hine stated that he believed they were now moving in the right direction. He referred everyone to the chart provided regarding claims. They are moving forward and attempting to settle some claims now in order to save in future liability.

Mr. Grimsley asked about the fraud investigation responsibility.

Mr. Hine stated that was something they wanted to begin working on and surveillance was being done, but there was no specific focus from one certain entity.

Mr. Grimsley asked what was their per claim liability. Mr. Hine stated it was presently \$2 Million because they had not been able to receive quotes in an amount less than that. He further stated that last year's quote of \$501,000 was based on \$125 Million worth of payroll, and this year's \$420,000 was based on \$140 Million worth of payroll. The audit premium due shortly would be substantial. In the previous year, they paid \$65,000 on top of the \$500,000. He stated the ultimate premium would be substantially less.

Vice Chair Mark Schwartz stated that one item they could not vote on was the upcoming property insurance that had been moved from one carrier to the other. The question was whether they should go out to market.

Mr. Hine stated they had been with FM Global for the last 10 years, and they reduced their rates this past year. Recently, there was a water loss, and therefore, they had a \$50,000 deductible instead of the \$100,000 deductible. Their total insured value was approximately \$350 Million, and this was one area they wanted to do more in.

It was asked if a PML had ever been done. Vice Chair Schwartz stated that one of the brokers brought in the software and explained the results. The prior policy with FM

Global had a wind limit, and based on their criteria it was about \$25 Million. FM Global was not the best fit for the City because they were used to private and public companies.

This was a matter that could be discussed at the next meeting.

Mr. Hine explained that last year they reduced the premium and improved the terms. A lot of re-insurance will be renewed on 1/1, and this would give them a strong feel for the market.

Mr. Hine stated that the Board would discuss this at the next meeting and take a vote on the matter. The broker feels it is best not to go back out. They have changed the ordinance regarding the purchase of insurance. Previously, they had to go out to bid, and now he goes before the Commission before negotiations or marketing.

Vice Chair Mark Schwartz stated that possibly the broker could get semi-firm commitments from the existing carriers before the next meeting.

Next Meeting

The next Board meeting will be scheduled for January 7, 2009 at 8:00 a.m.

Mr. Bond stated that this was his last meeting, and he wanted to express his appreciation to everyone for their hard work. He believes this committee has substantially improved over the years.

Motion was made and seconded to adjourn the meeting. Board unanimously agreed.

There being no other business to come before the Board, the meeting was adjourned at approximately 8:50 a.m.

Respectfully submitted,

Margaret A. Muhl