

**INSURANCE ADVISORY BOARD MINUTES**  
**City of Fort Lauderdale**  
**100 North Andrews Avenue**  
**8<sup>th</sup> Floor Conference Room**  
**Wednesday, February 4, 2008– 8:00 a.m.**

1/09 – 12/09

Board Members	Meeting Attendance	Cumulative Attendance	
		P	A
Joseph Cobo, Chair	A	1	1
Mark Schwartz, Vice Chair	P	2	0
Christopher Prestera	P	2	0
Roger Bond	A	0	2
Joe Piechura, Sr.	A	1	1
Jim Drake	P	2	0
Charles Grimsley	A	1	1

Staff and Guest

Michael Kinneer, Finance Director  
Denny Stone, Employee Benefits Coordinator  
Guy Hine, Risk Manager  
Matthew Cobb, Risk Management Coordinator  
Michael Walker, Procurement & Contracts Manager  
Jennifer Lindsey, Rutheford  
Lloyd Rhodes, Benefit Consultant

Roll Call

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

Approval of Minutes – January 7, 2009

**Motion** made by Mr. Prestera and seconded by Mr. Drake to approve the minutes of the January 7, 2009 Board Meeting. Motion passed unanimously.

Unfinished Business

Procedures for Purchasing Insurance

Mr. Hine stated there have been some recent “hiccups” in the procedure. A broker of record was hired to do the City’s purchasing of insurance, but there appears to be a problem with the ordinance. At this point, the procedure was “tweaked” and the City Commission is fine with what is being done. However, the property policy and the Airport liability policy are slightly different, and therefore, going forward there are some suggestions as to how things could be done in order to prevent any further problems.

Ms. Lindsey stated that the existing contract will expire on December 20, 2009, and therefore, they would have to go out for bid for broker services. Rutheford's contract states: "The broker of record is the broker of record on all insurance policies." The only exclusion was FM Global because in the past that had been purchased directly. The way the property insurance was being purchased, it could not be done directly. There were some situations regarding aviation that required it to go out for bid which was outside of the contract, even though their contract requires it to be part of the contract. She feels there needs to be some fine tuning before the RFP goes out.

Mr. Schwartz asked why the aviation policy was outside of the contract.

Mr. Hine explained that the practice in the past had been to put it out for bid. He continued stating that Section Three – Negotiation had not been used previously.

Ms. Lindsey advised that she is going to be competing against all the other agents who were including commission. Therefore, she made a list of insurance companies who could provide aviation insurance, and the week the bids are due they would call such companies making sure that they saw the City's account. She continued stating that her bid would automatically be 20% less than the competitors because she did not include commission. She continued to explain that one of the most important things the City's broker had to do was to maintain the City's reputation as a quality buyer. She suggested that the City go out for bid by September 1<sup>st</sup> in order to get the best response. She advised that the new contract would begin on December 20<sup>th</sup>.

Mr. Hine stated that they did not want to market their insurance too often, but some individuals had concerns in only negotiating with the same carrier.

### New Business

#### Property Insurance/Statement of Values

Mr. Hine stated that more information was obtained and the materials have been provided to the Board, and the statement of values had been updated. One thing they had looked for were hurricane shutters and impact windows which interested the underwriters. Dates of buildings were updated, including the addresses. Other buildings had been removed from the list due to the fact that they no longer existed. This information, along with the inspection reports, would be given to Ms. Lindsey.

Vice Chair Mark Schwartz stated that the list looked very professional. He asked how such information would be distributed at the time of marketing. Ms. Lindsey stated that she would meet with the lead underwriters, along with the broker, and hard copies of the information would be provided. Other individuals would receive electronic copies.

Ms. Lindsey advised that they were seeing flat renewals in the State of Florida. They were having problems getting underwriters to commit to more than 30-day quotes. She further stated that one of the insurers on the layers was writing \$10 Million, part of \$25 Million, and in excess of \$75 Million. One beacon was pulling out 100% Tier I anywhere in the Country.

Ms. Lindsey further stated that Lexington indicated they were going to increase their rates 10% across the Board. Her feeling was that in today's market, they would not have

a lot of negotiating ability. The same underwriters who looked at the account last year would see the dramatic difference.

Vice Chair Schwartz stated that in previous discussions, they felt that if the rate remained flat, they might be able to obtain some enhancements. Ms. Lindsey stated that she wanted to see more infrastructure coverage.

Mr. Hine stated that in risk management one thing done was personal inspections, and this helps them to keep abreast of what is out there. Ms. Lindsey added that they are attempting to fine tune the systems within the City so when there is either an acquisition or demolition, there would be a chain taking it through Risk Management.

Mr. Hine further stated that the new water treatment plant was still in the construction process and the total cost was about \$26 Million.

Ms. Lindsey explained that a flat premium would be a rate decrease. She stated that the two new fire stations have already been paid for, and therefore, are now part of the base.

#### Prescription Drug Costs

Mr. Stone explained that Mr. Rhodes went through the City's healthcare transitions since 2001, and they are now focusing on prescription drugs. Claims costs on an annual basis are at about \$14 Million, and 20% of that amount is for prescription drugs. A PBM (Pharmacy Benefits Manager) has been on board for about three years. Things have changed in the industry and it is now a much more competitive prescription drug marketplace. The PBM gets paid through discounts and rebates with no administrative charges. The Legal Department had issues with that because they want to know the real cost. They are now looking to change the traditional contract into a more "transparent" contract. The AFL-CIO has a major lawsuit with four major PBM's in the Country over problems in quantifying what was the real discount, what were the real rebates, and how much were the shares for the PBM and the drug companies. Since last August, the PBM used by the City became AvMed's PBM. Mr. Stone and Mr. Rhodes went to AvMed to see if they could get a better deal, but that was not possible. The City will, however, be getting about \$113,000 in greater rebates this year.

Mr. Rhodes explained that the key issue was the traditional pricing model versus the new transparent or pass-thru models which identify what the real ingredient cost is, along with the full rebates. Three years ago, the type of contract they now want was not available. They have more substance now and the market is right to do an RFP, and he believes the City would be happier with the transparent type contract.

Mr. Stone proceeded to explain the transparent contract.

Mr. Rhodes further stated that he was suggesting that they not only ask for the transparent model, but to propose it for the traditional model also. This would provide an accurate comparison of the two. He explained that they would be undertaking some risk with the transparent model, whereas the risk pricing under the traditional model would fall upon the PBM. He stated that PBM RFP's were more complex than health care because of the different pricing models.

Mr. Stone continued stating that generic, mail order, and brand drugs all have different rebates and discounts based on the volume for the drug companies or the PBM's. It is a complex process.

Mr. Presterer asked if there would be stop loss available on the risk they would be taking by going transparent.

Mr. Rhodes stated that stop loss would be available under the proposals, and their stop loss included pharmacy. There is additional coverage available.

Mr. Stone stated that this was an interesting project, and they wanted to make sure that the contract would be developed as they went through the process.

Mr. Hine stated that they had the black box type system previously and that was why the City Attorney's office was concerned about going forward with the transparency type.

The reason for going through this process was because they did not have the transparency, and did not have a signed contract. There was no way to verify the discounts and rebates because some of the figures were confidential and not provided. The City Attorney's office believes that information should be made available.

Mr. Hine stated that if they did not go the transparency route would they ever get this approved. Mr. Rhodes stated that such a possibility did exist.

It was stated that people went through the same thing with self-funded health plans. To completely audit the program would be an expensive proposition.

Mr. Stone further stated that in regard to wellness, they were beginning to implement some of their activities.

#### Next Meeting

The next Board meeting will be scheduled for March 4, 2009 at 8:00 a.m.

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  
Recording Secretary