

## INSURANCE ADVISORY BOARD MINUTES

City of Fort Lauderdale  
100 North Andrews Avenue  
8<sup>th</sup> Floor Conference Room  
Wednesday, July 1, 2009– 8:00 a.m.

<b>Board Members</b>	<b>Meeting Attendance</b>	<b>1/09 – 12/09 Cumulative Attendance</b>	
		<b>P</b>	<b>A</b>
Joseph Cobo, Chair	P	5	2
Mark Schwartz, Vice Chair	P	6	1
Christopher Prestera	A	5	2
Joe Piechura, Sr.	P	5	2
Jim Drake	P	5	2
Charles Grimsley	P	5	2
Steve Botkin	P	2	0

### **Staff and Guest**

Denny Stone, Employee Benefits Coordinator  
Michael Kinneer, Finance Director  
Michael Walker, Procurement & Contracts Manager  
Matthew Cobb, Risk Management Coordinator  
Lloyd Rhodes, The Rhodes Insurance Group

A moment of silence was held in respect of Guy Hine's son, Cory Ray, who passed away last week.

As of this date, there are 7 members of this Board, and all 7 are appointed, which means that 4 would constitute a quorum.

### **Roll Call**

The meeting was called to order by Chair Joseph Cobo at approximately 8:05 a.m.

### **Communications to City Commission**

Nothing to report.

### **Approval of Minutes – June 3, 2009**

Mr. Schwartz stated that on page 2, the first paragraph, it reads: "employee's liability," and it should be "employer's liability."

**Motion** made by Mr. Botkin and seconded by Mr. Drake to approve the minutes of the June 3, 2009 Board Meeting as amended. Motion passed unanimously.

## **Unfinished Business**

### **Advisory Board Insurance Coverage**

Mr. Cobb explained that at the last meeting the question of board members being covered under the City's public official policy was raised. A copy of that policy is included in the materials provided to the Board today. He clarified that the board members are covered under the City's public official liability policy connection with any actions taken on behalf of the City as members of the board.

### **Insurance Broker Override**

Mr. Cobb stated that also in response to a question from the last meeting, the City obtained confirmation that Rutherford did not accept any commissions, overrides, profit sharing, or other types of compensation from insurance carriers for which they have municipal accounts.

### **Approval of Panel Selection for the P&C Broker Services Contract**

Mr. Cobb stated that he, Jim Drake and Steve Botkin served on the Selection Committee for the P&C Broker Services Contract. Five brokers responded to the RFP, and based upon the combined scores, Risk Management Associates d/b/a Public Risk Insurance Agency of Daytona Beach ranked the highest. The Selection Committee recommends that they be awarded the contract.

**Motion** made by Mr. Schwartz and seconded by Mr. Drake to approve the recommendation of the Selection Committee for the P&C Broker Services Contract. The Board unanimously approved.

## **New Business**

### **Health Plan Stop Loss Insurance Renewal**

Mr. Stone stated they are working with AvMed on the 2010 re-insurance for the City. There is a ceiling of \$165,000 which is their stop loss, and anything above that is covered by the re-insurance carrier. Normally, the process begins in September because there is a 90-day window for them to hold the bid. He proceeded to explain the process followed. Normally, they receive data at the end of September, but this year they would prefer to receive it earlier.

Mr. Stone explained that the re-insurance carrier had to be familiar with the insurance carrier. He advised that U.S. Fire is the current carrier.

Mr. Rhodes explained that the process they follow is contained within the AvMed contract. He stated that re-insurance on the health side was sometimes tricky and that a normal RFP process is not used to make sure they are getting the best possible deal. At the same time, the re-insurer is asked to look at different stop loss levels and hoped the Board would support this process. He explained that they had met with the new Commission because it is important that the Commission understand the process and why it was being recommended.

Mr. Stone stated that last year there was a pro-rated 2.6% increase, although the addition of over 400 firefighters added about 20% to the population and the rates.

Mr. Rhodes stated they have had the \$165,000 level for quite some time, and this could be the year for an increase.

Mr. Schwartz asked how on-going claims would be affected. Mr. Stone explained the re-insurance contract runs on a calendar year basis. Normally, the re-insurance claims do not begin to hit until this time of year (second or third quarter).

Mr. Stone stated that one of the issues is that once the winning bid is accepted, there is a hold until January 1.

It was asked if there was an upward hold. Mr. Rhodes stated it was up to the planned maximum. The new deductible would start with the new plan year. The worst years had four claims in excess of the stop loss. Various types of claims were discussed, along with risk factors.

Mr. Grimsley asked what made the premiums double in five years. Mr. Stone stated that 2006 was a bad year, and premiums increased significantly the following year, and then in 2008 more than 400 firefighters were added to the plan.

Mr. Rhodes explained that the re-insurance policy is one that mirrors the marketplace and is more subject to annual trends. Presently, the trends are ranging from 8% to 14%. When analyzing this, they look to a ratio and that the premium savings at the \$200,000 retention level were significant. This information would be provided to the Board.

#### Prescription Drug RFP

Mr. Stone explained that they are going out to market for prescription drugs. There were two kinds of requests being made. One is for traditional pricing, and the other is for transparent pricing. He proceeded to explain traditional pricing, and provided some examples. A reason to go back out to bid was to get a transparent contract where they can actually audit to ensure they are getting the contracted pricing. He then proceeded to explain the transparent process.

Mr. Rhodes stated that one of the minimum requirements they are suggesting is the issue of being able to audit the contract, and not having confidentiality issues. He was not sure they would receive a lot of transparent programs. There is a risk factor with the transparent program due to present trends. There are a lot of hidden profits which are difficult to recognize. By asking for both programs, they would be able to clearly search the market. He feels the larger PMBs would come in with better deals.

Mr. Piechura stated that co-pays were increasing. Mr. Stone stated the benefit co-pays was a different issue which was also being addressed, but would not be part of the PBM process. For the PBM, they are looking at claim costs for drugs, and the cost of the utilization programs. Mr. Piechura stated that if they can beat up the supplier and also increase the co-pay, this would get individuals thinking they have to participate in prescription payments.

Mr. Stone stated the carriers for PBMs would be given the prescription data for the last year and would use their discounts and rebates to show what the cost would have been if they had been the carrier filling the 37,000 prescriptions for the City.

Mr. Stone stated they have used Catalyst for the last three years, and it is reasonable to look at the marketplace at this time.

Recommendations of Purchase Method (Market or Negotiate) and Specifications For Renewal of EPL/Public Official Policy

Mr. Cobb stated the policy would expire in November of this year. The policy was marketed last year, and the City was able to have the EPL and public official combined into a single policy which generated a premium savings. The current broker, Rutherford, suggested that the City negotiate at this time with the current vendor which is AIG. He referred the Board to the materials provided to them for review, which included a copy of the current policy and the claims history for the EPL and public official policies. The Board is being asked for their recommendation on whether to market or negotiate this policy period.

Mr. Cobb was asked the question of when the newly selected broker, Public Risk Insurance Agency, would begin their services and if they or Rutherford would be doing the negotiation on this policy. He responded that most likely the P&C Broker Services Contract would be approved at the July 21, 2009 City Commission meeting, and the contract with Rutherford would expire in December of this year. Most vendors noted in their responses to the RFP that they wanted to begin working with the City as soon as practical.

It was stated if the new vendor, Public Risk Insurance Agency, was awarded the contract in July, there might be an incentive for them to negotiate the EPL/Public Official policy renewal instead of Rutherford.

Mr. Walker explained the procedure that would have to be followed in order to award the contract earlier to allow Public Risk Insurance Agency to act as the City's broker. He reiterated that the current vendor, Rutherford, would be paid until the end of December even if a contract was awarded earlier.

The Board and staff discussed the process that would have to be followed for the canceling of the current broker contract to allow the new vendor to negotiate on the City's behalf for this policy renewal.

Mr. Schwartz suggested they just continue using Rutherford to negotiate on the City's behalf until the expiration of the contract.

Mr. Cobb stated that the City Commission still needed to approve Public Risk Insurance Agency as the new broker.

It was suggested that possibly the deductible could be lowered as part of the EPL/Public Official policy renewal.

Mr. Cobb reiterated that the latest trend was not to go to market every year for policy renewal.

The claim history was reviewed by the Board and staff. Mr. Grimsley believed if they did not get any concessions from National Union, they should go to market. Based on the descriptions of the claims, it was discovered that only the public official history was being reviewed.

Mr. Cobb advised that the EPL claim history information would be provided to the Board at the next meeting.

This matter would be deferred until the EPL information could be reviewed.

#### Discussion of Utilization of Annuities

Mr. Cobb stated that Mr. Hine had planned on discussing the use of annuities in worker's compensation to help fund payments on claims that were not total settlements. A presentation would be given at a later date.

#### **Schedule Next Meeting**

The next meeting of this Board would be held on August 12, 2009 at 8:00 a.m.

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

The meeting was adjourned at approximately 8:50 a.m.

Respectfully submitted,

Margaret A. Muhl  
Recording Secretary