

INSURANCE ADVISORY BOARD MINUTES
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Wednesday, December 2, 2009– 8:00 a.m.

Board Members	Meeting Attendance	1/09 – 12/09 Cumulative Attendance	
		P	A
Joseph Cobo, Chair	P	10	2
Mark Schwartz, Vice Chair	P	11	1
Christopher Prestera	A	6	6
Joe Piechura, Sr.	A	8	4
Jim Drake	A	9	3
Charles Grimsley	P	10	2
Steve Botkin	P	6	1

Staff and Guest

Denny Stone, Employee Benefits Coordinator
Michael Walker, Procurement & Contracts Manager
Guy Hine, Risk Manager
Matthew Cobb, Risk Management Coordinator

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 – October 21, 2009 and November 4, 2009

Motion made by Mr. Botkin and seconded by Mr. Grimsley to approve the minutes of the November 4, 2009 Board Meeting. Motion passed unanimously.

Motion made by Mr. Grimsley and seconded by Mr. Botkin to approve the minutes of the October 21, 2009 Board Meeting. Motion passed unanimously.

It was mentioned that Mr. Botkin was marked absent for the October 21, 2009 meeting, but he actually arrived late. Mr. Hine stated a correction on the attendance would be made.

Unfinished Business**Employee Count**

Mr. Hine stated the employee count for the City had a high in 2003 of 2,696 with a low of 2,565 in 2005. Mr. Grimsley stated that he had asked for that information so that he would be able to compare that to the cost of insurance.

New Business**Dental RFP Process**

Mr. Stone stated that Met Life runs both the PPO and the HMO for regular employees (which does not include firefighters). Met Life is proposing a 31% increase for the PPO, an 18% increase for the HMO, and are not willing to negotiate. Therefore, staff is preparing an RFP with the help of Lloyd Rhodes. The plan is made up of 600 employees in the HMO, and 800 employees in the PPO. While HMO network doctors must be used, only 50% of the PPO participants use network doctors. This is an area to lower costs because approximately 70% of the firefighters use the network. The analysis showed that CIGNA, HUMANA, and Guardian all have big networks. It is to everyone's advantage to use the network. The current contract runs through February, 2010.

Mr. Stone stated the other issue for discussion is wellness. He referred to a NY Times article regarding wellness. The City has a management wellness program with about 250 participants, and he proceeded to explain some aspects of the program. A modified program has been offered to the Teamsters and Firefighters in the form of providing biometric tests (cholesterol, body mass, sugar, and weight readings). They are considering expanding AvMed's disease management programs to include wellness initiatives. Some of the major companies are using wellness programs to significantly reduce their annual healthcare increases.

Mr. Grimsley asked if they considered making participation compulsory. Mr. Stone stated there are two ways to do that. One is to place a penalty on a participant if they smoke or are overweight, or to reward participants who take active steps to lead a healthier life. Whatever the City does, rewards or penalties, they would have to go back to the bargaining units. Mr. Stone prefers giving awards over penalizing individuals. Mr. Grimsley stated making participants attend meetings could be an option, but he was not sure if legal issues would arise. Mr. Stone said AvMed believes there are legal implications and lawsuits could be filed in cases where employees are being penalized.

Fiscal Year 2009 Liability Report

Mr. Cobb proceeded to give a power point presentation on the City's liability claim history for fiscal year 2000 through 2009. He showed that there were 391 open liability claims for fiscal year ending September 30, 2009. There has been a downward trend over the last 3-4 years which was good since expenses increase the longer files remain open. Due to the trend and continued improvement in file handling, Risk also expects there to be another decrease by the end of fiscal year 2010. Total incurred is the combination of paid to date, and reserved money on the open liability files. The year 2009 ended with \$11.5 million total incurred which is a decrease from the high in 2004 of \$20.1 million.

Mr. Cobb proceeded to discuss the list of new versus closed files. In 2009, there were 455 new claims, compared to 491 claims, which have been closed out. There also has been a downward trend over the last 3-4 years in new files opened. Total incurred on open general liability files makes up the largest percentage of the \$11.5 million. In 2009, the total was \$4.3 million for general liability files which a decrease from the high of \$8.3 million in 2004. He explained that of the 391 open files, 159 were general liability in 2009. New claim totals have been decreasing over the years with the exception of 2006.

Mr. Grimsley asked why the high increase in 2006, and Mr. Cobb stated it was due to a hurricane that year.

Mr. Cobb proceeded to show the average cost per claim for general liability claims over the various years. He stated the second highest segment of the total incurred is from the Police Department at \$3.5 million of the \$11.5 million incurred in 2009. There has been a slight increase over the last three years that is attributable to files remaining open longer and continuing to incur costs. He noted that typically police claims cost more to settle than all other claims. He stated that the files have been gradually decreasing since 2001 to a low of 70 in 2009, which includes some FTAA (Free Trade Agreement of the Americas) events files that are still open from 2004. There were 50 new police professional claims opened in 2009. The high in 2007 of 143 files was due to the FTAA claims being filed before the statute of limitations expired.

Mr. Schwartz stated it appears the average claims are now higher, along with the payouts. Mr. Cobb stated they are still within the trend. Defense fees are high in police claims because typically they are filed in Federal Court. He proceeded to list some of the costs normally incurred in such cases.

Mr. Cobb stated the third highest exposure for total incurred liability is from auto claims, which accounted for \$2 million in 2009. The trend is beginning to level off. Part of the increase over the years was due to higher repair costs, and part is how they previously tracked auto liability files in the internal claim system. Mr. Botkin stated that medical costs could also be included. Mr. Cobb confirmed.

Mr. Cobb stated that auto liability inventory was reduced to 98 in 2009 from a high of 259 in 2005. There has also been a fluctuation in new auto claims over the years, but it remains within trend. The average cost per claim would likely increase for the 2008 and 2009 years as the open auto claims are paid and resolved.

Mr. Grimsley asked if BI and PD were the only liability coverages. Mr. Cobb stated there is rarely a PIP claim against the City, but they are required to provide such coverage.

In regard to employment liability, Mr. Cobb stated there was a decrease to \$1.6 million in 2009, since the high of \$6.3 million in 2004. He stated there were 64 open employment practices claims in 2009, and a large percentage were not the typical claims but grievances filed by Union employees. These grievances were procedural matters, and the costs were for arbitration and defense counsel expenses. Some of the claims were due to the management style or philosophy at that time.

Mr. Hine proceeded to provide some examples of the types of claims that were responsible for the high count. Approximately 40 are the DROP-related (Deferred

Retirement Option Plan) claims. Mr. Cobb proceeded to show the average costs for such claims.

Mr. Schwartz asked if most of the costs were for defense. Mr. Cobb confirmed and stated the claims involved mostly administrative costs being paid by Risk.

Mr. Cobb proceeded to talk about how subrogation claims were mostly from auto damage recoveries. Miscellaneous was money also recovered on behalf of other departments by Risk. Their data only goes back to 2007 because before that time such amounts were not tracked by the Division.

Mr. Schwartz asked what percentage was involved for such claims. Mr. Cobb stated it was difficult to calculate those numbers because the system in the past was not focused on tracking recoveries. Mr. Grimsley stated it would be helpful to know what had been paid out in order to obtain the percentage of recovery.

Mr. Hine stated subrogation was not on the radar at that time, but the system has the capability to keep track of such items. He stated they are looking at the Risk-Master system and the upgrades available for such tracking.

Mr. Cobb stated the focus for 2010 is loss control, and the Risk Division wants to put the City "out of business" (from a claims perspective) on the liability end. Realistically, that would not happen, but they want to better control and reduce claim costs. The City has a safe driver program that provides incentive rewards to employees not having accidents each year. They would like to enhance that program and possibly coordinate it with some corrective action, especially since penalties for auto accidents are not severe in most cases.

In regard to the settlement of claims, they are attempting to reduce the open inventory through the settling of justified claims. Risk wants to strike a balance and do not want to be a target for payments. They are also attempting to get a better handle on recovery of subrogation for 2010, along with a revamping of location codes that goes along with the loss control aspect. The system has not been updated to reflect organizational changes within the City. It is also not up-to-date in regard to the types of accidents most frequently occurring. Risk wants to help the departments to find out where their losses are occurring. He proceeded to provide some examples.

Property Insurance Renewal Options

Mr. Hine stated they are down to the six P&C lines of insurance since EPL and Public Official Insurances were combined. He explained the process that had to be followed. He believed that logistics could be challenging, especially the timing.

Mr. Hine advised that property insurance will renew on April 1, 2010, and wants the Board's approval to use the negotiation method. There is a new broker for the City, and they feel there should be some marketing this year for the property insurance. Staff is pursuing available options because the market has softened up some. He stated three new fire stations are being built which would increase total insured values. Their goal is to offset that to an extent. Mr. Hine stated that Risk is considering three options for the property renewal. He stated there are about 30 or more carriers focused in the South Florida property insurance market that have the capacity to provide the City with their

best options regarding premiums. One option is to go back to the same carriers currently handling the City's property insurance and they would most likely end up with many of the same carriers, but also approach some other markets. The next option is a stand-alone split structure that he heard about through other cities, which would include one reduced rate for utilities, and another rate for all other structures. He explained that most of the damage recovered due to Hurricane Wilma was from parks, and the remaining monies were split between departments.

Mr. Hine stated when they receive the values for the new stations, they have to make sure costs for the architect and other similar work were not included. The second option appears viable. The third option is probably the best in a hard market and that is a shared limit pooled structure. All options are being reviewed.

Mr. Schwartz stated he preferred the second option. Mr. Botkin agreed. It was stated there were specialized programs for utilities that would decrease that end. Carriers would probably still look at the total insured value. Mr. Hine stated there were at least two competitive markets for utilities. One is an AIG company, but there are difficulties sometimes when they take capacity away from the underlying carrier of the total package.

Mr. Hine stated they are still doing repairs due to Hurricane Wilma, and he provided examples of such work. Mr. Schwartz provided some examples of what could be done regarding the roofs.

Motion made by Mr. Schwartz and seconded by Mr. Botkin to continue with Option One, but explore Option Two and review the breakout for utilities, and to utilize the negotiation method. Board unanimously approved.

Mr. Grimsley asked about the meaning of "CAR." Mr. Hine explained that CAR stood for Commission Agenda Report. January 5, 2010 is a due date and a reminder for him to make sure the appropriate steps were being taken. Mr. Hine stated there would be discussions regarding the available options. He proceeded to explain the procedure followed regarding the CAR.

Scheduled Board Meetings

Mr. Hine stated that February 10, 2010 is not a normal meeting date for this Board, but this would provide the broker and staff some extra time to obtain the quote. He added that January 13, 2010 is also not a normal meeting date due to the fact there is a scheduled City Commission meeting on the 6th. Various dates were suggested for the Board to meet.

Mr. Walker advised that Commission meetings for the month of January would be held on Wednesdays.

The Board agreed to meet on January 13, 2010, and February 10, 2010.

Mr. Hine outlined some of the items that would be placed on the January agenda for this Board.

Mr. Hine stated they hoped to get a premium reduction in the AD&D policy.

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 8:55 a.m.

Respectfully submitted,

Margaret A. Muhl
Recording Secretary