

INSURANCE ADVISORY BOARD MINUTES
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Wednesday, December 1, 2010– 8:00 a.m.

Board Members	Meeting Attendance	1/10 – 12/10 Cumulative Attendance	
		P	A
Joseph Cobo, Chair	P	11	0
Mark Schwartz, Vice Chair	P	8	3
Joe Piechura, Sr.	P	10	1
Jim Drake	A	8	3
Charles Grimsley	P	10	0
Steve Botkin	P	9	2
Jonathan Macy	A	1	1

Staff and Guest

Matthew Cobb, Risk Management Coordinator
Denny Stone, Employee Benefits 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 8:10 a.m.

Communications to City Commission

Nothing to report.

Approval of Minutes

Motion made by Mr. Schwartz and seconded by Mr. Botkin to approve the minutes of the November 3, 2010 meeting. Board unanimously approved.

Unfinished Business

None.

New Business**Liability Claims Program Results**

Mr. Cobb stated he was impressed with the results developed this year. He proceeded to show the liability inventory from 2000 to 2010 as of September 30th at the end of each fiscal year. In 2004, there had been a high of 820 open claim files which was reduced to only 345 open claim files in 2010. These are third-party liability claims filed against the City, and do not include collision repair claims which consist of approximately 200 files. The total combined inventory consists of approximately 540 claims.

Mr. Cobb proceeded to show the totals incurred which include open reserves and paid-to-date for each year. They went from a high of \$20.1 million in 2004, and ended with \$10.6 million in 2010. He stated that new claim losses were decreasing in conjunction with a push to close claim files by staff. He then showed a graph of new and closed claims from 2000 to 2010. There has been a downward trend since 2006, and he believes this is due to a combination of good loss control measures and some luck.

Mr. Cobb showed amounts paid for all liability lines combined for each year. He also showed the IBNR (incurred but not reported) claim charges added to the books by the actuaries, along with the subtractions for the year. Last year, \$2.4 million was actually paid out for liability. There was a large IBNR charge in 2008 due to the changing of actuaries by the City.

Mr. Cobb proceeded to provide further clarification regarding the process followed by the actuaries.

Mr. Cobb then showed a break down of the four different lines of coverage under the liability program. He began with general liability, and stated that in 2010 there had been \$4.3 million in total incurred which has been a steady trend since 2007. The claim file inventory continues to drop. He then showed the new versus closed claims correlation chart. He advised that there had been 190 new claims in 2010, and they had closed 210 claims total for the year. He proceeded to explain the general liability expenditures incurred.

Mr. Cobb then went on to talk about police professional claims, and stated that the total incurred has been increasing due to police professional claims being worth more because they do not have the same statutory protections as are available for other claim files. Most of those claims are civil rights or federal violations; as such there is unlimited potential for judgments and attorney fees, which is different from the protections that are available for State tort claims due to the City being a municipal entity.

Mr. Cobb proceeded to show new and closed claims. There were 143 new claims in 2007 that consisted mostly of the FTAA (Free Trade Agreement of the Americas) claims from the Miami Conference. All police entities that assisted at the conference had been sued; however, the City had finally resolved the remaining claim files in 2010. He then showed the police liability expenditures. In 2008 they received a credit from the new actuary because of over estimating of police professional exposure. In 2009 some larger police files opened up, and the actuary then hit the City with a \$2.1 million charge. On an average, \$500,000 is paid each year for police liability files.

The next coverage line is auto liability. Total incurred has been increasing over the years, but since 2008 there has been a stable trend. The increases are due to costs for vehicle repairs, the vehicles themselves, and inflation in bodily injury claims. He explained that approximately 50% of auto accidents nowadays generate bodily injury claims. Due to the City hiring a new adjustor in 2004, the inventory has begun to decrease and move towards a more steady pace. There are presently three adjustors handling liability files for the City. He proceeded to show the auto liability expenditures.

Mr. Grimsley stated that if the present actuary's IBNR charges do not stabilize, they need to look into the situation and consider a replacement. Mr. Cobb stated that the actuary has one year left on their contract with the option of two one-year renewals, if the City chooses to exercise those options. Based on present conversations, it appears that the actuary appears to be more comfortable with the City's loss history and trending. He agreed this was something to consider.

Mr. Cobb stated that employment practices is the final coverage line of the liability program, and the total incurred has been steadily decreasing over the years. This was, in a large part, due to the closing-out of the DROP (Deferred Retirement Option Program) litigation files. There was also a significant drop in the 2010 inventory because the City prevailed in the DROP litigation. Actual new claims have been steady at about 10 per year, and staff expects them to continue to hold steady between 10-15 claims per year. He then proceeded to show the employment practices expenditures over the years. From 2001 to 2003, there were higher payments due to incurring significant defense costs, but on average \$100,000 is paid per year.

Mr. Cobb reiterated that police and employment practices were the two hardest types of claims to turn over quickly due to litigation issues.

Mr. Cobb then showed auto property damages, and stated there has been an escalating trend since 2006, similar to the auto liability.

Mr. Piechura asked if there has been a significant increase in the fleet. Mr. Cobb explained that the fleet has increased some, but in 2005-2006 the prior City Manager stated that all damages to City vehicles had to be repaired at the next preventative maintenance session. This was the most likely cause for the spike in claims. The next likely reason for the escalation is the structuring of the City's driver discipline program. Currently, due to how the union agreements have structured things, more chances are given to unsafe drivers than warranted, in Mr. Cobb's opinion.

Mr. Botkin asked if the Union rules are presently outside the realm of reality. Mr. Cobb agreed.

Mr. Grimsley asked about the availability of defensive driving courses. Mr. Cobb explained there was a safety program. He explained that police and fire had their own internal review committees and discipline programs. He stated they have been working on providing more driver safety incentives. They also would also like to implement changes for punishments, but that is a slower process due to the unions. Another thing is that City management is requesting cost cutting procedures, and they are going to suggest not repairing minor damages to the vehicles.

Mr. Schwartz asked if the repairs are done in-house. Mr. Cobb explained that some are done in-house along with preventative maintenance, and some repairs are done outside.

Mr. Cobb proceeded to show collision repair expenditures. The increase from 2006 onward was partially due to the payment of old claims, and the repairing of all damaged vehicles. He added that the system had not been tracking the liability and collision repairs the way they are presently being tracked. They also pushed hard to close out old files. New procedures were set up with the Fleet Department to make sure payments are made in a more orderly fashion.

Mr. Grimsley asked if the liability claims were insured or self-insured. Mr. Cobb explained the City is completely self-insured. Mr. Grimsley asked about stop-loss in regard to general liability. Mr. Cobb stated the City had just attained general liability and auto liability excess insurance in 2010 which has a \$1 million SIR (self-insured retention) for the year.

Mr. Cobb showed the subrogation recovery. He explained that approximately 70% to 80% of the City's collision accidents are their fault. The few exceptions are police and fire accidents involving vehicles in emergency mode.

Mr. Cobb proceeded to show the focus for fiscal year 2010. They are looking for the most cost effective approaches to paying claims, reducing inventory, and fighting the cases that deserve to be fought.

Mr. Grimsley asked about a special investigation unit. Mr. Cobb stated there are two adjustors with a broad field of expertise; however, there is no dedicated fraud investigation unit at the City. He explained a lot of the City's accidents tend to be rear-enders and side-swipes where there is not much disputed liability. Mr. Grimsley reiterated there is never disputed liability, but excessive and unreasonable treatment of people not injured. Mr. Cobb stated the City uses its status as a municipal entity as a defensive tool whenever possible.

Mr. Cobb explained that recovery of subrogation is an area they have been focusing on more this year. They have increased their subrogation, and are only closing out files where there is no chance of recovery or ones that have minimal amounts.

Mr. Cobb stated that revamping of location codes has not progressed due to waiting on the upgrade of the RiskMaster system which will be implemented in 2011.

Mr. Grimsley stated he would like to see a specific report on fraud prevention and the procedures that the City has in place. Mr. Cobb stated that would be provided at another meeting.

Old/New Business

None.

Scheduled Board Meetings

The next scheduled Board meeting is January 5, 2011 at 8:00 a.m.

Motion made by Mr. Piechura and seconded by Mr. Botkin. Board unanimously approved.

There being no other business to come before the Board, the meeting was adjourned at approximately 8:59 a.m.

Respectfully submitted,

Margaret A. Muhl
Recording Secretary