

**INSURANCE ADVISORY BOARD
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
WEDNESDAY, MARCH 2, 2011 – 8:00 a.m.**

| MEMBERS | ATTENDANCE | CUMULATIVE | |
|----------------------------------|-------------------|-------------------|---------------|
| | | PRESENT | ABSENT |
| Joseph Cobo, Chair | P | 2 | 1 |
| Mark Schwartz, Vice Chair | P | 3 | 0 |
| Joe Piechura, Sr. | P | 3 | 0 |
| Jim Drake (arr. at 8:10 a.m.) | P | 3 | 0 |
| Charles Grimsley | P | 3 | 0 |
| Steve Botkin (arr. at 8:07 a.m.) | P | 2 | 1 |
| Jonathan Macy | P | 3 | 0 |

As of this date there were 7 appointed members to the Board, which means that 4 would constitute a quorum.

Staff

Guy Hine, Risk Manager
Dennis Stone, Employee Benefits Coordinator
Matthew Cobb, Risk Management Coordinator
Mike Walker, Procurement & Contracts Manager
Lloyd Rhodes, Benefits Consultant
Barbara Hartmann, Prototype, Inc., Recording Secretary

1. Roll Call

Chair Cobo called the meeting to order at 8:02 a.m. Roll was called and it was determined a quorum was present.

2. Approval of Minutes of February 2, 2011

Mr. Grimsley noted a correction to the minutes: the meeting was called to order at 8:08 a.m., not 8:08 p.m. **Motion** by Mr. Schwartz, seconded by Mr. Grimsley, to approve the minutes of the February 2, 2011, meeting, as corrected. In a voice vote, the motion passed unanimously.

3. Communications to City Commission

None.

4. Unfinished Business

- **Motion to approve property policy quote**

Mr. Hine explained that the reason this item is on the agenda is that there were challenges that arose during negotiations with the \$2.199M quote approved at the February meeting. He had anticipated a substantial reduction, but found it was only going to be a slight reduction. (Flood insurance will be slightly down and will save a few thousand dollars.)

Mr. Hine directed the Board's attention to the second page of the quote, where Mr. Florez did a comparison. He said that the reason for the \$5M deductible cap was to limit the City's exposure. If they had a Category 1 or 2 storm, there is a good possibility they would not recover anything. However, with a Category 3, 4, or 5 storm, they would limit their exposure.

Mr. Hine stated that Option Four is in the CAR (Commission agenda report) to the City Commission. He has asked permission to review it with Commissioners one on one to explain the quote. He said that Mr. Piechura will be at the City Commission March 15 meeting (at 6:00 p.m.) and encouraged others to attend, if possible, to show support.

Mr. Hine noted that no new motion was necessary unless they had questions or concerns.

- **Motion to approve health administration RFP technical specs**

Mr. Stone, Employee Benefits Coordinator from Risk Management, stated that he had sent out the technical specifications for the RFP to the Board. He said that they began by meeting with the six major healthcare carriers, to make sure that the specifications they are asking for are feasible. They also wanted to discover what the carriers were offering in the marketplace.

[Mr. Botkin joined the meeting at 8:07 a.m.]

Mr. Stone stated that after those meetings, they prepared the RFP, which has five objectives.

1. One is Administrative Services, and he said the City needs more emphasis on Wellness and Disease Management.
2. They are looking at repricing all of the Claims Discounts, and will give the claims from the past year to the carriers for repricing to see how they would compare against AvMed's cost.
3. As far as Networks, all of the major carriers have big networks, but they are looking at displacement of current providers, especially within the tri-county area.
4. Administration Costs represent \$1M, although the City spends \$20M a year for healthcare expenditures (stop loss, claims, Rx PBM).

5. Financials and Client References

Mr. Stone directed the Board's attention to the paragraph highlighting single-source managed care. He said in the year 2000 when they had a leased TPA (third party administrator), they experienced a lot of difficulty.

[Mr. Drake joined the meeting at 8:10 a.m.]

Mr. Rhodes, City benefits consultant, said they are looking for a TPA related to a single source managed care organization, not an independent TPA. These offer deeper discounts and better managed control over the plans with a non-independent TPA. He added that the independent TPAs do not have the capabilities of integrating data in total, which is very important. Mr. Rhodes reminded the Board of the problems they had with the independent TPAs. He said the RFP must be fine-tuned so that only managed care types of organizations will respond.

Mr. Rhodes continued that the RFP is for ASO (administrative services only), and they are not putting re-insurance in this proposal, as they are too far out from the effective date, January 1, 2012. There will be a separate RFP for re-insurance.

Mr. Walker, Procurement and Contracts Manager, noted that some of the carriers own their re-insurance carriers, so that will come into play during the re-bid process. Mr. Rhodes said that their preference is to align themselves with a re-insurance carrier that is also doing the ASO services. There are advantages to data integration, access to internal information with respect to doctors' notes and other items.

Mr. Grimsley wondered if there was a type of audit that is incorporated in the RFP, because he recalled a problem with a past workers' compensation contract. Mr. Rhodes replied that the carrier would have to be financially stable and provide supporting documentation. All of the companies are publicly held.

Mr. Rhodes added that another issue is the number of years they want to specify for experience in providing the product and length of time that they have had accounts on the books. Mr. Stone said they currently have three years specified, but are discussing three or five years, especially from the self-funded side.

Mr. Stone explained that wellness and disease management can drive the cost either 10% up or 10% down.

Mr. Walker emphasized that they have made it clear that the companies, not the principals, submitting the bid have to meet the length of time requirements.

Motion by Mr. Grimsley, seconded by Mr. Peichura, to approve the health administration RFP technical specs as conscribed by Mr. Rhodes and Mr. Stone. In a voice vote, the motion passed unanimously.

- **Review of most recent WC State Assessment**

Mr. Hine informed the Board that the WC State assessment this past year was down to about \$117,000, a substantial drop from the previous year of about \$248,000. He said it was because they reviewed and made adjustments to coding for State assessments, and also had better experience.

5. New Business

- **Motion to approve negotiation method to market for airport liability insurance**

Mr. Hine reported that the City is in the third year with a carrier and cannot renew with the same carrier more than twice, per the ordinance (although there is a provision that allows the Commission to supersede this portion of the ordinance). He said they had a very good deal with their current carrier compared to other carriers. They found out about a week ago that the underwriter is no longer there and the specialty agent has recommended they market it this year.

Motion by Mr. Schwartz, seconded by Mr. Botkin, to market for airport liability insurance. In a voice vote, the motion passed unanimously.

- **Future budget/insurance/self-insurance planning**

Mr. Hine informed the Board that they are going through the budget process at this time, and he wanted the Board's feedback on their insurance philosophy.

He said that at this time, there is about a \$7.5M fund balance in the Insurance Fund 543, but the books are not yet closed.

He reviewed the fact that the appraisals done last year came in substantially higher than the City previously had recorded. By correctly insuring those properties, the total insured values increased. However, the increase in the premiums was not as substantial, due to a soft insurance market.

Mr. Hine explained that the insurance fund receives its revenues from the different City departments every year, so essentially it is the General Fund that gets charged. For the past year, the present year, and the year being budgeted for, they are slowly charging less: that is, the cost of services is going down and as a result, Risk Management is charging the departments less. He believed that at the present rate, the fund balance will increase a little, while at the same time, charge the departments less.

A possible large exposure would be claims on property, but historically that has not been a factor. Mr. Hine added that FEMA is potentially available in case of a declared

disaster.

With the soft insurance market and claims being handled more expeditiously, they have brought costs down, resulting in fewer charges against the General Fund. Mr. Hine asked for the Board's input on continuing down this path, saving money by having the \$5M/\$5M deductibles (and therefore less costly premiums) and ultimately increasing the fund balance to cover a potential \$10M loss.

- **Additional discussion on property policy quote**

Mr. Schwartz brought up an issue about the claim settlements shown on Mr. Florez' handout, and felt he needed more clarification before deciding on this matter. Mr. Hine clarified that the claim amount was 5% of the insured value. Mr. Schwartz pointed out that some items showed the claim amount and the insured value to be the same. He wanted to know what it was insured for and apply the deductible, to see what the net effect would be on several scenarios.

Chair Cobo asked Mr. Hine to bring the information back in a more comprehensive format.

6. Open Discussion – Old/New Business

None.

7. Schedule Next Meeting – April 6, 2011

8. Adjourn

Motion by Mr. Schwartz, seconded by Mr. Botkin, to adjourn the meeting at 8:35 a.m.

[Minutes prepared by J. Rubin, Prototype, Inc.]