

**INSURANCE ADVISORY BOARD
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
WEDNESDAY, APRIL 6, 2011 – 8:00 a.m.**

MEMBERS	ATTENDANCE	CUMULATIVE	
		PRESENT	ABSENT
Joseph Cobo, Chair	P	3	1
Mark Schwartz, Vice Chair	P	4	0
Joe Piechura, Sr.	P	4	0
Jim Drake	P	4	0
Charles Grimsley	A	3	1
Steve Botkin	A	2	2
Jonathan Macy	P	4	0

Staff

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

Communication to City Commission

None.

1. Roll Call (including number of appointed members and quorum)

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

Chair Cobo called the meeting to order at 8:06 a.m. Roll was called and it was determined a quorum was present.

2. Approval of Minutes of March 2, 2011 (not addressed at this time)

3. Communications to City Commission

None.

4. Unfinished Business

- **Motion to approve airport liability insurance quote**

Mr. Hine reminded the Board that the airport liability insurance is being marketed this year. Last year's expiring premium was in the neighborhood of \$9,600, and this year's is up to \$10,400. There was a change in management due to a buyout of the company, and the new management did some restructuring and also increased the premium.

Mr. Hine directed the Board's attention to the market summary, noting it was marketed to a number of different companies and there were a lot of "no responses." The fact that many of the companies will not provide quotes unless it is within 30 days of policy expiration presents a problem getting the matter on the agenda. He continued that he asked the City's agent to go back to the "wholesale agent" and ask him about the "no responses." The agent informed him that most of these markets would not even be competitive. Some of the other markets that did not quote do not have the ability to quote for \$20M dollars in exposure.

The two quotes that were received were very competitive. He reminded the Board that four years ago, the City was charged approximately \$25,000 - \$27,000 per year. About three years ago, it went down to approximately \$10,000. This year the quote from Federal Insurance was for \$10,400, and from Ace at \$12,800.

Mr. Hine noted that since Federal Insurance came in several thousand dollars less, is the company the City worked with before, and is rated A++ XV by A.M. Best, he recommended going with the \$10,400 quote from Federal Insurance Company.

Mr. Schwartz wondered when the responses have to be in by, because he thought some of the other companies could go up to the \$20M limit. He suggested exploring a few more companies. Mr. Hine said the next agenda he could get this item placed on would be for the May 17 City Commission meeting, eight days before the current policy expires.

Mr. Hine provided the option to the Board of making a motion to accept Federal's quote with a contingency that if another company comes in less (with the same coverage) that they recommend the lower quote.

Mr. Piechura was curious if these were standard policy forms or manuscript. If they are manuscript, he cautioned it is not always a matter of comparing apples to apples. Mr. Hine said that the agent would be able to do the comparisons.

Motion by Mr. Schwartz that the Board accept "as is" for now. If something were to come in sooner, Mr. Hine could present it to the Board after speaking with the agent, and then get approval of the City Commission now to accept "as is" and possibly approve that at a later date prior to the renewal. Motion died for lack of a second.

Mr. Walker clarified that he thought what Mr. Hine meant was this: he wants a motion to approve to work with Federal but in the meantime he will go out and try to see if he can

get better rates with the same coverages. If a better rate is received, he wants a motion to allow awarding to the vendor with the better rate. If no better rate is received, then the contract will be awarded to Federal, without having to come back to this Board, because there is not enough time. The City Commission wants two meetings before accepting the bid.

Motion by Mr. Schwartz, seconded by Piechura, to accept the Federal quote and it is understood within this Board that we will still review alternatives that may come in. In a voice vote, the motion passed unanimously.

Chair Cobo then returned to Item 2 on the Agenda.

2. Approval of Minutes of March 2, 2011

Motion by Mr. Schwartz, seconded by Mr. Macy, to approve the minutes of March 2, 2011. In a voice vote, the motion passed unanimously.

Chair Cobo returned to Item 4, Unfinished Business.

• Review of property insurance deductible comparison

Mr. Hine noted this was a follow-up item from a previous Board meeting. He said that Mr. Schwartz had a question regarding the deductible comparison, and he asked Alan Florez, the City's agent, to go back and further clarify the spreadsheet.

Mr. Schwartz said he understood the third column where it said there was a proposed \$5M flat deductible. He thought that the \$3.102 in the third column would be added to the bottom of the column (to the \$2.386M) and that would total a little over \$5.4M. He then wondered why the number for the net settlement would be only \$171,000, and not anything net of \$5M.

Mr. Cobb thought Mr. Schwartz was on the right track. He said the 41 miscellaneous properties would definitely be covered under the new policy. He thought the ball field lighting and the lifeguard towers both have separate limits, both falling under the \$2.5M separate sub-limit. If that were the case, they probably would not fall under the \$5M deductible.

Mr. Schwartz suggested having Mr. Florez on the phone for the next meeting.

5. New Business

• Review of Workers' Comp TPA RFP technical specifications

Mr. Hine reported that he and Mr. Walker had developed a schedule for this item. He thought since the information was lengthy, that perhaps it would be better if the Board

could take some time (outside of the meeting) to review it.

He pointed out that one of their biggest challenges is the SAS70 report. The SAS70 report is a financial controls report, and the City should absolutely have one done. He said the City Auditor also agreed. Mr. Hine said they created the verbiage in the RFP, but the wording was not as clear as what some of the vendors would have liked to have seen. There was concern brought out, so the current contract was extended for one year with Gallagher Bassett and then it would be put out again for RFP.

As of June 15, 2011, the SSAE16 report will replace the SAS70 report. Staff will make it very clear that this report is to be included when submitting the response to the RFP (either the SAS70 or SSAE16 report) and then annually after that. He added the language, "on an uninterrupted basis," to ensure there are no lapses in time. Mr. Hine wanted to know if the Board thought it was clearly stated.

Chair Cobo thought it was well spelled out. Mr. Walker commented that generally there is some kind of language in the bids that would say it must be in place for the entire term of contract.

Mr. Hine remarked that staff will be reviewing this RFP thoroughly in the next month. He noted he will change the dates and consider adding the language just mentioned by Mr. Walker. At the next month's meeting, he will ask for Board approval and agreement with the technical specifications. The RFP will be brought well ahead of time to the City Commission (three meetings).

Mr. Hine felt the Workers' Comp TPA program was a very important contract and said he has spent the last three years working with Gallagher Bassett to get things done the way the City wants them done. The program has shown steady improvements: one example is in relation to the subrogation aspect, in which the collections have steadily increased over the past few years.

Mr. Hine advised the Board that he asked for two dedicated adjusters on the indemnity side to keep on top of the workload, with 15 new arisings per month. If they could move more quickly on cases, the City could save money. There is an inventory of about 125 cases per adjuster, and his opinion is that the number will decrease as they move along with this program. As the inventory is reduced, the actuary results will improve.

Mr. Hine reported that in 2007, the City paid a total of \$11.2M in Workers' Comp claims, \$6.9M of that was because of the actuary's charges. In 2008, the total paid in the claims was \$5.8M, and in 2009, it was \$3.6M. Mr. Hine said that in 2010, it was up slightly because the carriers were not giving the City money to settle cases. He believed the carriers would be loosening up now and he hoped to get some of the cases off the books. He said the City has been able to hold the total incurred steady the last year, although the total incurred did go up in the previous year. He reiterated that this was an extremely important contract and it is necessary to get the right company

managing the City's claims.

Mr. Hine continued that the coding is another issue. City staff takes the coding, puts it in graphs, and shows the different departments where their exposures are. The coding has to be right, or the departments cannot be expected to improve. He said he wants the TPA to respond in a timely manner (24 - 48 hours) to his requests for information and feedback. This request will cost a little more on the administrative side, but he will expect the responses back right away, expect that the coding and reserves will be right, and know why the money is on those files. He said Gallagher Bassett is very good at processing the claims, but there is a certain way that he wants things done, and he feels strongly about how the program should be structured.

Mr. Hine reiterated that he was asking the Board to read and review the technical specifications and provide him with feedback at the next meeting in May.

- **ERRP (Early Retiree Reinsurance Program) Recovery**

Mr. Stone reported that the City just received a reimbursement of \$139,000 from the Federal government under the Healthcare Reform legislation. He said he had been working on the project for about eight months. The Early Retiree Reinsurance Program is a reimbursement of 80% of claims (between the \$15,000 minimum and \$90,000 maximum) for any early retiree between 55 and 65. This program began in June of 2010, and the City did their first run on its medical data between June and December of 2010. There was \$174,000 of claims through AvMed for 18 different people. After filing the claims with the Federal government, the government actually checks through the IRS to make sure the claimants (retiree or their dependents) are not illegal immigrants, and to make sure they are "real people."

Mr. Stone commented they are in a hurry to get reimbursements before money runs out in Washington. Staff is now going through the 2010 runoff claims to see if there are any more claims that have come in from 2010 for this group. They have also gone to the PBM (Express Scripts), who have done a similar run of all the prescription drugs for 2010. Staff will also add new claims data for the first quarter of 2011. Mr. Stone said they anticipate within the next few weeks another six figures to be reimbursed (for six months). If money is still available through the entire 2011 calendar year, the City could get between \$300,000 and \$400,000 back.

Mr. Stone stated that the government has just announced they have given away \$1.8B out of \$5B. When the money runs out, it runs out. There are 1,300 employers and 100,000 early retirees who have received the payouts so far. As a point of interest, he said Michigan led the way with \$319M, second was Texas (\$276M) and Ohio was third (\$123M). Florida received \$15M for all employers so far.

Mr. Stone explained that this program is for any company in the U.S. that has spent money on early retirees. Through this program, the Federal government is trying to

encourage employers to keep their retirees on company benefits, not on the government's benefits. Mr. Stone noted the retirees do cost more than a younger person to stay on the plan. For this year, however, it will be a positive for the City, and will help offset costs associated with 50 new dependents (through age 26 years of age), and free preventive care prescribed by health care reform.

Mr. Hine commented that the City had projected a \$2.7M loss for this year. Due to higher 2011 employee rates, copays and coinsurance the monthly costs are down. They are now projecting \$1.8M deficit. However, the first few months of the fiscal year were based on the previous deductibles, co-pays, and premiums. He is, however, cautiously optimistic.

It was noted that when people spend more of their own money on healthcare, they become better consumers. Mr. Stone said he met with the major healthcare carriers while preparing the soon-to-be-released RFP for the City's Healthcare TPA and was very excited to be seeing what initiatives and reward programs are now available from the carriers.

6. Open Discussion – Old/New Business

None.

7. Schedule Next Meeting – May 4, 2011

8. Adjourn

Motion by Mr. Schwartz, seconded by Mr. Drake, to adjourn the meeting at 8:40 a.m.

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