

**INSURANCE ADVISORY BOARD
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
WEDNESDAY, SEPTEMBER 7, 2011 – 8:00 a.m.**

MEMBERS	ATTENDANCE	CUMULATIVE	
		PRESENT	ABSENT
Joseph Cobo, Chair	P	7	1
Mark Schwartz, Vice Chair	P	8	0
Joe Piechura, Sr.	P	6	2
Jim Drake	P	8	0
Charles Grimsley (arr. 8:13 a.m.)	P	7	1
Steve Botkin	P	6	2
Jonathan Macy	P	7	1

Staff

Guy Hine, Risk Manager
Matthew Cobb, Risk Management Coordinator
Dennis Stone, Employee Benefits Coordinator
Amanda Lebofsky, Prototype, Inc., Recording Secretary

Communications 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 8:02 a.m. Roll was called and it was determined a quorum was present.

2. Approve Minutes of August 3, 2011

Motion by Mr. Botkin, seconded by Vice Chair Schwartz, to approve the minutes of the August 3, 2011, meeting. In a voice vote, the motion passed unanimously.

3. Communications to City Commission

None.

4. Unfinished Business

- **Review of and motion to approve public official/employment practices liability insurance premium quote.**

Mr. Hine recalled that the Board had previously agreed to market this insurance. He said it was now marketed, and National Union came in lowest (a 7% decrease from last year), with Ace coming in second. The premium for National Union would be \$156,860 with the best coverage form that the company provides.

In response to a question by Mr. Piechura, Mr. Hine remarked that he was not sure if it was a full retro(active) policy form. Chair Cobo commented it was the same company that they had before, so it should be a full retro.

Motion by Mr. Botkin, seconded by Vice Chair Schwartz, to approve National Union Fire for the public official/employment practices liability insurance. In a voice vote, the motion passed unanimously.

Mr. Piechura requested that staff verify the full retro date and inform the Board. (The policy has been confirmed as having a full retroactive date for claims by the City's agent.)

5. New Business

- **Review of and motion to approve designation of funding for property deductible**

Mr. Hine reviewed that there are two \$5M deductibles for two different property programs, utilities and non-utilities. As of the end of last year, there was a surplus of \$8M in the fund balance. At this time, Mr. Hine said they are \$2.6M under budget. He explained that liability is doing very well and expenses are down. He expects to see a reduction from the actuary again this year.

Mr. Hine continued that for the last two years, they have been able to reduce the charges to departments for the year and have moved more towards an experience-based model.

All policies are paid and he expects to be \$3.5M under budget for this year, prior to the actuary's results.

Mr. Hine said that after talking to Finance, they are suggesting restricting \$10M of the surplus for the property deductibles, so the money would be available when it is needed. This would have to go before the City Commission. Mr. Hine continued that they want to set it up to guard the City against a major hurricane event. He added they do not yet have the actuary results so they do not know exactly what the end of the year surplus will be. Since they do not know the exact numbers at this time, they will wait until November/December to take this to the City Commission.

Mr. Botkin asked if the City Commission would need to be alerted to this proposal in light of their budget preparations, and he also wondered if the funds are protected for Risk Management. Mr. Hine answered they are in separate funds (Fund 543 for P & C line and Fund 545 for the Health lines) which are "absolutely separate" from the General Fund.

Mr. Hine said that in 2006-2007-2008 they spent about \$15M in insurance related losses. In 2009, they spent \$11M, and in 2010, less than \$9M.

Motion by Vice Chair Schwartz, seconded by Mr. Botkin, that Mr. Hine request restricted funds to cover at least the deductibles of \$10M. In a voice vote, the motion passed unanimously.

[Mr. Grimsley joined the meeting at 8:13 a.m.]

- **Discussion on stop-loss insurance RFP**

Mr. Stone said he is bringing the topic up early because they are changing the way they are going to bid on stop-loss insurance this year. He reminded the Board that CIGNA is the new carrier as of January 2012. In the past, AvMed took it to market for the City, and it was brought to this Board at its November meeting. Mr. Stone remarked that it was expeditious to do it through AvMed, who had a managing general agent take it out to bid.

This year, the City is taking it out to bid. Mr. Stone said he and the Rhodes Insurance Group have prepared the RFP, and it is almost ready to go out. Mr. Stone said that the stop-loss has gone well this year. Normally there are four big cases that go slightly over the stop-loss. In 2009, there were eight or nine such cases (\$6M over in stop-loss). At this time, three cases are "hovering" at about \$200K, and the stop-loss is at \$225K. They are looking for a \$225K bid, and asking for an aggregate bid as well. He said they spend about \$900K per year for the stop-loss insurance premium. When the City started with AvMed in 2005, the stop-loss was at \$165K and was increased in order to keep the premium lower.

Mr. Stone concluded that he will be bringing the item back to the Board in November for approval.

- **Discussion on open enrollment activities**

Mr. Stone commented that the new carrier, CIGNA, has been the main reason that the City is keeping their rates the same for 2012. He said that CIGNA was able to cut claims by \$1.5M on the actual claims re-pricing exercise in the RFP. He explained that CIGNA is using a national POS network for both HMO and POS. There are about 100 people in the POS plan (outside of the pockets where AvMed was with HMO) and he

thought these employees will be moving back into the HMO this year. There will be a 60% discount at hospitals and providers with the new CIGNA national network.

Mr. Stone continued there will be more choices for employees. The City Commission has amendments to the health plan to add domestic partners on tap at their meeting this evening. In addition to the addition of domestic partners, there are mandated options to cover adult children up to age 30, and he noted that 50 individuals joined the 19-26 year old group covered by healthcare reform last year.

Mr. Stone directed the Board's attention to the self-service benefits, which is going to be put into place this year. It will allow employees to go on City computers and enroll in benefits. As part of this process, staff will be checking birth certificates for children and marriage licenses for spouses.

During open enrollment beginning in mid-October, employees will be taking biometrics and health assessments as part of expanded wellness initiatives from CIGNA. Management employees who do that will have a coach from CIGNA talk to them about their results and suggest activities to participate in on a quarterly basis. There will be a \$500 reward (for participating management employees) at the end of the year.

Mr. Botkin wondered if there was a federal mandate affecting domestic partners, and Mr. Stone said no but the City will require stiffer regulations than some other employers:

- Identification (drivers license, mortgage, etc.) which establishes co-residency
- Proof of age over 18
- One partner has to work for the City
- A sworn affidavit that they are domestic partners.

He remarked there is a gray area involved with the insurance if the partnership dissolves, and under the City's plan, if the partner no longer meets the requirements then the coverage would be stopped at the end of the month.

Mr. Piechura was curious if there would be pre-ex(isting) if there was no proof of prior coverage, and Mr. Stone replied that there would be no pre-ex, unless the person did not have coverage before. Then there is a 12-month pre-existing period. He added that this follows the spousal and dependent's regulations.

- **Discussion on upgrade to Riskmaster software program**

Mr. Cobb recalled that at the end of last year, staff talked with the Board about updating the Riskmaster program, which is the claims database system. He said it is now fully updated to a web-based system, called Riskmaster X. All 12,000 claims of historical data were successfully migrated to the new system. The new system is more robust, easier to control, and allows edits to department divisions.

He predicted that their efficiency will improve for the adjusters who handle the claims, and the reporting and “drilling down” of claims and losses will be significantly improved.

Mr. Cobb continued that for FY2012, a simplistic claims experience formula has been instituted for the four major departments, charging them based on what they actually cost in claims. He expected that in FY2013, they will have a better “claims charged” model so that different divisions and departments will be charged according to what they are actually costing the City. Reports can now be generated to highlight exposures, areas of improvement and actual costs.

Mr. Hine described the method of calculating charges for vehicles in the past (by number of vehicles), and commented on how the new system will provide greater accuracy by being experience-based. He said that the loss control is an area where the City can save money, and it needs work. He commented on the safe driver program, and proposed adding a dollar incentive to the program to encourage staff to drive more safely.

Mr. Grimsley wondered if there were any surprises when staff drilled down into the experience based analysis. Mr. Cobb responded that there were not any surprises about where the claims were coming from, but they did see a shift in what they were charging certain departments for insurance premiums to pay the claims. This was due to the way Finance had previously set it up. He explained that under the new system, they divide the number of vehicles in a department by the number of their auto claims to get a surcharge.

Mr. Piechura was curious if there were “repeat offenders” and Mr. Cobb replied that there were and they will be sharing that information with an Assistant City Manager for future discussion.

Mr. Piechura asked about a defensive driving class, and Mr. Cobb said they are exploring setting that up. Mr. Hine added that they would like to expand the loss control and the safety aspect (defensive driving). Mr. Cobb mentioned that with the new system, they can target the losses and identify the exposures. Police, Fire and Public Works all have safety personnel, and perhaps the City can have a defensive driving course (including an obstacle course) using the Public Works lot and garage. He suggested having a refresher course every six months or so, including forklifts and back loaders as well as cars. He hoped they could target people who need more attention and refresh other’s memories.

6. Open Discussion – Old/New Business

Mr. Hine noted that in the upcoming meetings with the Board, they would discuss the renewal of the City’s Property Insurance policy. There was a slight increase because of the Hurricane Catastrophe Tax. It went from 1% to 1.3% as of January, 2011.

Mr. Hine pointed out an item in the packet, which came from Mr. Piechura. He said a few weeks ago, the overall rate level changed to 8.9%, and the City came in flat. Mr. Piechura noted that was significant, as the Workers Comp market is reversing. He said 9% of \$300K is \$27K, so they saved a lot of money.

7. Schedule Next Meeting – October 5, 2011

8. Adjourn

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

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