

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

MEMBERS	ATTENDANCE	CUMULATIVE	
		PRESENT	ABSENT
Joseph Cobo, Chair	P	9	1
Mark Schwartz, Vice Chair	P	10	0
Joe Piechura, Sr.	P	8	2
Jim Drake	P	10	0
Charles Grimsley	P	9	1
Steve Botkin (arr. 8:04)	P	8	2
Jonathan Macy	P	9	1

Staff

Guy Hine, Risk Manager
Matthew Cobb, Risk Management Coordinator
Dennis Stone, Employee Benefits Coordinator
Alan Florez, Executive Vice President, PRIA
Mike Walker, Procurement & Contracts Manager
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 October 5, 2011

Motion by Mr. Piechura, seconded by Mr. Grimsley, to approve the minutes of the October 5, 2011, meeting. In a voice vote, the motion passed unanimously.

3. Communication to City Commission

None.

4. Unfinished Business

- **Update on open enrollment and wellness activities**

Mr. Stone reported that they started open enrollment approximately 10 days ago and have over 900 biometrics tests so far. He mentioned that everybody seems very pleased with the options provided this year, including the Teamsters. The actual open enrollment books went out in the last two days accompanied by a personalized benefit statement. He stated they are verifying birth certificates and marriage licenses this year. They already have a few domestic partners signed up.

Mr. Stone mentioned that they are using a self-service benefit enrollment system this year that is an extension of the Accero payroll system. Although there have been a few glitches, the system is enrolling online.

[Mr. Botkin arrived at 8:04 a.m.]

Mr. Piechura asked if they would do a trial run before an actual payroll. Mr. Stone said yes, they are able to see the actual enrollments as they are being made, but deductions have an encoded date of January 2012 when they will become effective.

Mr. Piechura also asked if CIGNA had followed through with their promises, and Mr. Stone said yes. There have been some minor difficulties working with them because they are such a large company and rigid to some degree. However, they are working through the issues and they have been reactive. He said the wellness group doing the biometrics and one-on-one counseling is very good. Feedback from management has been very positive about the new wellness program.

Chair Cobo was curious when they would be able to see the benefits of the switch to CIGNA, and Mr. Stone said that the program with all its discounts goes into place January 1. Hopefully, by February or March they can begin to see the CIGNA discounts affecting the City claims reports. He noted that they will still be receiving claims from AvMed in January, as there is an average 45-day payment lag.

Mr. Hine commented that Mr. Stone had worked on getting increased deductibles and co-pays, and they will also make a difference. During this past fiscal year co-pay and premium adjustments had been helpful in containing the anticipated inflationary trend of claims. He hopes the numbers will be contained once again this year, and he will be sharing that information in the next few months.

- **Motion to approve negotiation/market of property policy**

Mr. Hine recapped what the Board discussed at the last meeting. After speaking to Mr. Florez, they are now considering marketing even the primary layers. Mr. Hine

commented that Mr. Florez will be presenting a proposal, but asked the Board to keep in mind that the proposal might not be possible at this point due to time constraints on getting before the City Commission. He added an early renewal is possibly advantageous. He will need a motion to approve from the Board today, then Mr. Florez will handle matters with the underwriters, come back to the Board for approval, and then it would go to the City Commission. Mr. Hine said if they are doing a February 1 renewal, and they will be getting back a credit (for 2 months of the previous 12 month policy).

Mr. Florez commented that he had hoped to have a commitment from the primary layered leads (Lloyd's, Arch, and Lexington) to commit to an early renewal, but it is still too early. He believed that by December 1, he would have an answer as it related to their ability to do an early renewal that would be advantageous to the City, as opposed to doing an April 1 renewal.

Mr. Florez explained that there are two reasons they are pushing for early renewal:

- Get the City out of the April 1 date
 - April 1 has become saturated and the City would be competing with many peers with high levels of catastrophic risk. That makes it more difficult for the underwriter to focus on Fort Lauderdale.
- Market appears to be hardening
 - If they can negotiate sooner, they can hopefully get better terms and pricing.

Mr. Florez informed the Board of two items that will be coming to them in the December IAB meeting:

1. One is a complete overview on RMS11, the wind modeling, and how the City's risk appears to the underwriters - what they are going to be selling and what they will be defending against, depending on what the model indicates. The wholesale broker had asked if the stadium was going to be left in. As it stands, it represents 17% of the annual average loss. If the City wants it out and there is a way of expediting negotiations so that happens by the renewal date, that would be advantageous to do, because the risk would look better to the underwriters.

2. The second item will be terms, conditions and pricing for the Board to vote on.

Mr. Hine mentioned that the City Commission had discussed the stadium in March and they wanted it on the policy, as it is a valuable piece of property. They did ask to have it insured on an actual cash value basis and saved a large amount of money doing so. Mr. Hine reminded the Board that the stadium had been previously insured (for property) by the Orioles. Mr. Hine said he would look into the issue, noting there were discussions taking place regarding combining the stadium with a water park. Mr. Botkin noted there were FAA issues with the stadium as well.

Mr. Grimsley wondered about insuring the stadium by endorsement, with separate provisions applicable to it. He thought this might provide more flexibility as opposed to

the main policy terms and conditions insuring all the other properties. Mr. Hine responded that so far the only aspect being treated differently was the actual cash value aspect. Mr. Florez said he would explore insuring the stadium by endorsement as a possible option.

Mr. Piechura said that the City Commissioners and the Mayor need to give direction related to the value of the stadium property with or without the structure – in other words, an explanation of the intention for that property.

Mr. Cobb remarked that if they do a stand-alone policy, they might want to consider including the garage structures, which also tend to model poorly, along with the stadium. Mr. Peichura said that the weakness of the garages is the openness and the envelope concept (if part of the envelope is pierced, the whole property is subject). Mr. Grimsley wondered about having an engineering study done on the stadium, because he did not think it was vulnerable at the lower hurricane levels.

Vice Chair Schwartz commented that not every company uses RMS11 uniformly. Perhaps if the stadium is modeling poorly, a different company could be found who is not using RMS11. Mr. Florez remarked that he was informed that all carriers will be using RMS11, but he will verify that and make sure he gives other carriers an opportunity to provide a quote (if there are others who are not using RMS11). He stated that his main objective is to get the Board's authorization to fully market the policy.

Motion by Mr. Piechura, seconded by Mr. Grimsley, to authorize the brokers to go to market on the product, and also request input from the City Commissioners and Mayor as to what they want to do with the stadium property and the negotiation aspect of it. In a voice vote, the motion passed unanimously.

- **Update on RFP for PBM**

Mr. Stone explained that they took this item out to bid as an emergency RFP process, and he does not yet have the results. There will be an Evaluation Committee meeting later in the day. He reminded the Board that Walgreen's will not be a part of Express Scripts beginning in January, and the City Manager has directed them to go to bid to see if they could find a PBM that can meet or beat the current discounts and rebates that they now have with Express Scripts, yet still keep Walgreen's. He mentioned that both Medco and Express Scripts responded, but noted that Express Scripts is attempting a purchase of Medco. Mr. Stone said that if Express Scripts takes over Medco, that may be a challenge to consider when looking at the Medco proposal. There were three other bidders: CIGNA, Humana, and Catalyst. Those three do have Walgreen's on board.

Mr. Stone said that the RFP states that if they lose 10% or more of their pharmacies, that would be grounds for termination by the City. He noted that Walgreen's comprised

about 53% (26,000 prescription drugs) of the employee's prescriptions last year. He said a big plus for employees using Walgreen's is their 24-hour stores.

A decision will be made at the Evaluation Committee's meeting, and it will be taken directly to the City Commission for their next meeting, since they need to be implemented (if it is a new carrier) by the first week of December. Mr. Hine said that the City Manager was willing to waive time constraints to expedite the project. Mr. Walker said it would normally take three to five months to get such an RFP project through.

Mr. Stone said the preliminaries look promising so far as being able to include the Walgreen's network.

Mr. Grimsley asked why the timeline was compressed. Mr. Stone said they did not find out until six weeks ago that the contract between Express Scripts and Walgreen's was going to expire on December 31. Most people thought the two companies would come to an agreement. Mr. Walker said if they somehow did settle, then it would be up to the City Manager as to whether they would continue with Express Scripts or move forward with a new vendor.

Mr. Stone reiterated that each of the proposers was given more than 40,000 City prescriptions from last year for repricing. Mr. Stone said they also conducted a GEO access study and found that 93% of City employees have access to another pharmacy other than Walgreen's within three miles of their home, and 100% have access within five miles of their home. Mr. Hine mentioned that CIGNA is also in the process of negotiating their contract with Walgreen's for 2012.

5. New Business

- **Motion to approve stop-loss insurance premium quote**

Mr. Stone said that for the last five years, AvMed has marketed the stop-loss for the City. He said that since beginning in 2012 they will no longer have AvMed, the City has taken the stop-loss insurance out to bid and received three responses. One responder said they would not lock in the rate until November, which was deemed as non-compliant. The two other proposers are: Companion Life (this one came in low and is the current carrier, operating through an MGU) and CIGNA (the new 2012 administrator of the City's health plan).

Mr. Stone directed the Board's attention to a spreadsheet in their packets. He pointed out that Proposals 1 and 2 are from Companion Life and Proposals 3 and 4 are from CIGNA.

The City also asked for an aggregate bid, which the Evaluation Committee is not recommending. He detailed that the first bid for \$917,000 would have an aggregate added for an additional \$45,000 premium. The bidder had explained that once they

reach an aggregate figure of \$23.5M, everything above that would be paid. Mr. Stone said, however, that their projections for next year are only \$19.4M. On Proposal 1 and 2, the aggregate is for a 12-month period, 12/15, which means “incurred in twelve months and paid in 15 months.”

Proposals 3 and 4 (CIGNA) are lower because they have a 12/12. They only consider the aggregate for those incurred and paid by the end of December. He noted that a lot of big stop-loss claim costs hit in December, but if they are not paid in December, it would not count toward the aggregate. The Committee voted down the aggregate, because it did not make economic sense.

Mr. Stone said the next question was whether to take the \$225K or the \$250K cap. He said they are now at \$225K, with four cases “hovering around” \$225K. Normally, the City has around three or four cases, except for 2010 when it had eight large cases.

Proposal 1 cost is \$917K and Proposal 2 (at \$250K cap) is \$845K, roughly a \$75K difference. If the cap is raised to \$250K and the City has four cases, there would be \$100K in extra costs. The Evaluation Committee felt the more conservative approach would be to take Proposal 1 at \$225K with the current carrier.

Mr. Stone highlighted two other ingredients. If CIGNA, as health plan administrator, does not provide the stop-loss insurance, they charge a processing fee, which is \$15K. The other issue with Proposal 1 is that Companion Life has an MGU that does some of the work on the case, and the MGU charges \$13K. Both of those fees are built into the \$917K. The Evaluation Committee recommended going with the \$225K at \$917K. That would be an increase of about 7 – 8%. He noted the industry is trending higher.

Mr. Stone said that Companion Life has done well for the City and the CIGNA bid was significantly more, at \$1M. He noted that Companion would pick up any claims costs once they exceed \$225K, so the City would not have to pay and wait for reimbursement.

Motion by Mr. Grimsley, seconded by Mr. Botkin, to approve the stop-loss insurance premium quote recommendation of the Evaluation Committee for Companion Life with the \$225K option. In a voice vote, the motion passed unanimously.

6. Open Discussion – Old/New Business

It was noted there were no reports of flooding to City-owned properties from the recent unusual rainstorms.

7. Schedule Next Meeting – December 7, 2011

Chair Cobo stated he would not be in attendance on December 7, and asked Vice Chair Schwartz to preside.

8. Adjourn

Motion by Vice Chair Schwartz, seconded by Mr. Botkin, to adjourn the meeting at 8:45 a.m. In a voice vote, the motion passed unanimously.

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