INSURANCE ADVISORY BOARD
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
WEDNESDAY, JANUARY 4, 2012 – 8:00 a.m.

MEMBERS	ATTENDANCE	CUMULATIVE 1/12 – 12/12 PRESENT	ABSENT
Joseph Cobo, Chair	P	1	0
Mark Schwartz, Vice Chair	A	0	1
Joe Piechura, Sr.	P	1	0
Jim Drake	P	1	0
Charles Grimsley	P	1	0
Steve Botkin (arr. at 8:10 a.m.)	P	1	0
Jonathan Macy	A	0	1

Staff
Guy Hine, Risk Manager
Matthew Cobb, Risk Management Coordinator
Dennis Stone, Employee Benefits Coordinator
Mike Walker, Procurement & Contracts Manager
Alan Florez, Public Risk Insurance Agency
Melena Mayea, CIGNA
Barbara Hartmann, Prototype, Inc., Recording Secretary

Communications to City Commission

None.

Determination of quorum

As of this date, January 4, 2012, there are 7 appointed members to the Insurance Advisory Board, which means 4 would constitute a quorum. At this time, there is a quorum.

1. **Roll Call**

Chair Cobo called the meeting to order at 8:05 a.m. Roll was called and it was determined a quorum was present.

2. **Approve Minutes of December 7, 2011**

Motion by Mr. Grimsley, seconded by Mr. Botkin, to approve the minutes of the December 7, 2011, meeting. In a voice, vote, the motion passed unanimously.

3. Communications to City Commission

None.

4. Unfinished Business

- **Update on implementation of 2012 CIGNA healthcare activities**

Mr. Stone stated that CIGNA is now on board as administrator of the medical and prescription drug plans. Outside of logistics issues, CIGNA has done a good job getting everything up and running. Mr. Stone distributed a leaflet showing the various wellness classes being offered to employees, such as weight-loss programs, fitness, and cooking classes. CIGNA has an on-site wellness coordinator to take care of healthcare issues and wellness activities. She is available in the benefits office and will be rotating between different departments. Mr. Stone reiterated that their emphasis this year is to get people active in the wellness programs, and that is going well so far.

Mr. Stone continued that CIGNA has a broader network than AvMed did with comparable discounts. The City should save about $1.5M in the discounts through CIGNA's broader network.

- **Update on the negotiation/marketing of the property policy**

Mr. Hine remarked that, based on conversations that Mr. Florez had with the markets, moving up the renewal date was not something they were ready to do at this time. He said staff will have a "not to exceed" number for the February meeting.

Mr. Florez explained they will present two options: a 10-month option and a regular 12-month option. The 10-month option would expire February 1, and then the City could start on 2/1 and get out of the 4/1 date. The consensus is that getting out of the 4/1 date is ideal for the City over time.

Mr. Florez continued that because of RMS-11, the annual aggregates of carrier's portfolios have increased substantially. Carriers are trying to push the aggregate down by not writing some business, or being more selective about the business they write and trying to get more rate for it. Because of worldwide catastrophes and RMS-11, the carriers feel justified increasing the rates.

Mr. Florez recapped that 2011 was a "roller-coaster" with some carriers increasing and some not. The public sector market began to see an increase more quickly than the private sector/commercial market.

Mr. Florez said that the re-insurance treaties are mostly in place, and also RMS-11 is being accepted by almost every carrier, which presents challenges. He commented that Westrope analyzes the wind models and does a great job of "scrubbing the data" in order to present the risk in as favorable and accurate light as possible. This time, they focused on the two garages and the stadium, tweaking the occupancy and some other factors. As a result, the probable maximum loss and annual aggregate loss numbers were reduced. Therefore, the modeling is better on RMS-11 than it was on RMS-10.

Mr. Florez referred to a handout, pointing out that if the numbers are run without the stadium, the numbers improve (from $50M to $46M and from $36M to $32M). He said that the carriers do their own modeling, which means they would not necessarily accept this modeling.

Mr. Florez continued that since they were not successful obtaining an earlier renewal option, Plan/Strategy B is to separate out the stadium and garages. This would open the possibility of less coverage than what the City would get on the master policy.

Mr. Florez reported that the City is approaching two markets who have expressed an interest in this approach, Zurich and AmRisc. Both of these markets have capacity, Grade A investment rating, as well as an ability to look beyond the modeling. He noted that these carriers are acknowledging that even though garages may not model well, it still maybe possible to get a more favorable rate than what the modeling may otherwise dictate.

Mr. Florez then presented Option/Strategy C, noting the market is different than it was a few years back, and is not aggressive with rates as far as reductions are concerned. Lexington is taking a stance where they are willing to lose business, trying to get more rate for what they are selling, trying to reduce their annual aggregates in certain risk-prone areas, and trying to balance their portfolio. Mr. Florez said they are approaching Lexington with combining back the utilities with the non-utilities. Chartis has a division (Chartis Global Energy) that competes with Startech - it looks at utility risk specifically and rates them more favorably than the underwriters at Lexington. Mr. Florez said he spoke to the Chartis Florida representative to see if they will consider the risk, and they agreed that is a tactic worth looking at. He said they will have a "not to exceed" by February.

Mr. Grimsley suggested looking at taking the stadium and garages out of the master policy and insuring them separately either by endorsement or with a separate policy. He thought that would provide more flexibility, and the deductible could be increased. Mr. Grimsley wanted to make certain that they insure for the catastrophic loss.

Mr. Florez remarked that he asked Westrope to run a model where the garages and stadium are separated out in one distinct schedule. If the garages and stadium are isolated and they purchase a loss limit, the City might also get a better rate.

Mr. Hine said this item should go to the City Commission at the first meeting in March.

5. New Business

- **Recap of FY 2011 Results**

Mr. Hine began a PowerPoint presentation at 8:25 a.m.

- The combined payouts of the P&C and health expenditures over the past 6 years have been fairly steady.
- They hoped that Property and Casualty will remain low, as it has for the past 3 years.
- Will ride the soft (insurance premium) market as long as they can.
- Negotiation aspect will be important as market hardens.
- Over the past 11 years from 1999 to 2010, industry records document that health insurance premiums have gone up 140%.

Mr. Stone said that Safeway spends about $1B dollars per year on employee healthcare, but has had a 0% trend over the last few years, largely attributable to wellness and consumer-driven medical plans. He said Fort Lauderdale's trend is running at about 7%. Mr. Hine commented that they are hoping that the wellness programs will make a difference in the healthcare numbers.

In response to a question by Mr. Piechura, Mr. Stone remarked that in addition to their wellness programs, Safeway has numerous tiered plans. Mr. Stone added that to save additional dollars, many organizations are putting in on-site employee health clinics and Fort Lauderdale is looking at that also.

Chair Cobo pointed out that GM has their own clinic and doctors. Mr. Stone said that GM and Ford are beginning to phase-out their clinics, and he said they are exploring ways to determine if the City would get lower costs with a clinic or with the negotiated costs CIGNA gets.

Mr. Grimsley remarked that educating employees is necessary to prepare them for the upcoming challenges of either higher premiums or fewer benefits.

Mr. Hine said that they discovered during the past year that the employees seemed to have understood more why things are the way they are. Mr. Stone said they bought themselves a year by getting the broader discounts, but more cuts are probably coming.

Mr. Hine returned to his presentation.

- Expenditure distribution of the Property and Casualty program shows the claim costs are the highest, and property insurance second.
- P&C insurance cost peaked in 2007 at $3.23M and is now $2.6M and staying relatively steady.

- Regarding claims payments vs. insurance, the insurance is relatively steady, but claim payments are substantially less in 2009-2010-2011.

Mr. Peichura wondered if the claims payments represent the year the payment is made or the year the claim is made, and Mr. Hine answered that it is the year the payment is made. Mr. Piechura noted that some payments made in 2011 were for prior year claims. He thought if the accounting was done on a claims-made basis, then the costs would be compared better. Mr. Hine replied that they would see if they could do that.

Mr. Piechura added that would emphasize the fact that the older the claim gets, the more it settles for. He suggested footnoting any payments over some amount such as $100K or $250K to provide ammunition to asking for an adjuster who would close the cases.

Mr. Hine returned to discussing insurance revenues (what the other departments are being charged), noting the numbers are decreasing. That has more to do with claims management, rather than loss control. He pointed out that each department is given a summary of their claims.

Mr. Hine explained that the higher numbers for the operational costs for the Risk Division in 2009-2010 were due to the purchase of their software system and a $100K charge for self-service.

Mr. Grimsley asked why the projection for 2012 was increased, and Mr. Cobb explained there is a $20K increase in maintenance fees for software.

Mr. Hine proceeded to the section on Workers' Compensation, noting that the last year total program cost was the lowest in the last seven years, but the total incurred costs are up:

- State assessment down due to safety credit and claims management.
- Gallagher Bassett claim administration about the same, but will go up.
- Claim payments were on lower side.
- Loss development was similar to 2009.

Mr. Hine stated that much of the increase in total incurred in 2011 was due to carriers not settling older claims. He mentioned one claim over $2M that should have been settled by now, but noted they cannot force the carriers to pay.

Claims inventory is up slightly, but Mr. Hine said he is confident that will be decreasing with two dedicated adjusters.

Litigation expenses went down again in 2011, but Mr. Hine stated that there will always be expenses, as they have to litigate certain cases.

Mr. Piechura asked if the City was subject to common NCCI mod calculations, and Mr. Florez answered that self-insured programs are promulgated by the State Division of Workers' Compensation, noting it is a similar formula.

Mr. Hine addressed subrogation recoveries, noting the trend is going in the right direction. Excess recoveries were up in 2011, but that number varies due to the types of cases.

Mr. Hine concluded his PowerPoint presentation at 8:45 a.m.

Mr. Grimsley recalled that the actuary projections had been "like a roller coaster" in the past and wondered if that would continue, but Mr. Hine said they have stabilized a lot. There is a new actuary who has a different philosophy and it has evened out since his arrival.

6. Open Discussion – Old/New Business

Mr. Stone introduced CIGNA's new wellness coordinator, Malena Mayea, who has a degree in nutrition and physiology from FSU. Mr. Hine said they intend to have her work with people regarding nutrition in particular, focusing on the wellness program.

7. Schedule Next Meeting – February 1, 2012

8. Adjourn

Motion by Mr. Piechura, seconded by Mr. Grimsley, to adjourn the meeting at 8:50 a.m. Hearing no objection, Chair Cobo adjourned the meeting.

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