

**AUDIT/BIDS/INSURANCE COMMITTEE MEETING  
WEDNESDAY, JUNE 1 2011, 8:00 A.M.  
COUNCIL CONFERENCE ROOM—2<sup>ND</sup> FLOOR, CITY HALL**

**PRESENT:**    **Chairman Dale Burkett**  
                  Councilwoman Brenda Craig  
                  Councilman John Howren

**GUEST:**       Mr. Rob Watson, Watson Insurance Company

The Audit/Bids/Insurance Committee met on Wednesday, June 1, 2011, 8:00 a.m. in the Council Conference Room, 181 S. South Street, City Hall, Gastonia, North Carolina. Chairman Burkett called the meeting to order and recognized Mr. Larry Wood, Assistant City Manager/Director of Human Resources and Administrative Services. Mr. Wood stated that at the last meeting, Staff advised the Committee that the following agenda items would be brought to the next meeting. Mr. Wood then recognized Ms. Judy Smith, Assistant Director of Human Resources for staff's presentation.

**INSURANCE CONSIDERATIONS FOR FY 2011/2012:**

**1)       Workers Compensation Insurance Excess Coverage:**

Ms. Smith stated that Midwest Employers Casualty is the current carrier for excess insurance on workers compensation. Midwest Employers Casualty did not offer the same self-insurance retention level this year, and their renewal reflected a significant increase in premiums. Arthur J. Gallagher, broker, provided quotes from Safety National and Midwest Employers Casualty for the excess coverage. Safety National provided the best option with a self-retention level of \$500,000 for Police personnel, Fire personnel and Electric personnel and \$400,000 for all other personnel. The premium for this option is \$60,496 which is an increase of \$8,180 (16%). Staff recommends the Committee approve using Arthur J. Gallagher to place the workers compensation excess coverage with Safety National with the new self-insurance retention level of \$400,000/\$500,000.

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend that Council approve the recommendations.

**Necessary Council Action:**

Accept or reject the Committee recommendation.

**2)       Workers Compensation Insurance Claims Administrator:**

Ms. Smith advised that currently, the North Carolina League of Municipalities serves as the claims administrator for workers compensation. Their renewal recommended no increase in fees (premium for 2010/2011 was \$23,000). Staff recommends the Committee approve renewing the agreement with the North Carolina League of Municipalities to serve as the claims administrator for workers compensation.

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend that Council approve the recommendations.

**Necessary Council Action:**

Accept or reject the Committee recommendation.

**3)       Airport Liability:**

Ms. Smith explained that Phoenix Aviation is the current carrier and charged \$12,723 in 2010/2011 for Airport Liability coverage. The renewal with Phoenix Aviation is \$6,850 which reflects a decrease of \$5,873 (46%) for 2011/2012. Staff recommends the Committee renew the Airport Liability with Phoenix Aviation through Wells Fargo (the current broker).

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend that Council approve the recommendations.

**Necessary Council Action:**

Accept or reject the Committee recommendation.

4) **Stop Loss Coverage for Health Insurance**

Ms. Smith advised that last year, the City used Group Benefit Solutions to place the stop loss coverage for health insurance. The renewal from the current reinsurance carrier, Optum Health, reflected a 20%-28% increase over current premiums. Optum Health provided two options. The first option was to renew the current coverage with no change in benefits. The premium for the first option is \$333,732 which is an increase of \$73,201.80 (28%). The second option was to renew the current plan of \$150,000 self-insured retention and add a \$20,000 aggregating specific deductible. The aggregating specific deductible is an additional deductible that is applied once to plan. The premium for the second option is \$311,808 which is an increase of \$51,277.80 (20%). Group Benefit Solutions solicited the market and was unable to obtain any better quotes. Staff recommends the Committee purchase the stop loss coverage directly with Optum Health and selecting the second option with a \$150,000 self-insurance retention plan and a \$20,000 aggregating specific deductible.

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend that Council approve the recommendations.

**Necessary Council Action:**

Accept or reject the Committee recommendation.

5) **Life Insurance**

Staff recommended the Committee approve the continuation of the life insurance contract with USABLE Life (a subsidiary of Blue Cross). This is the second year of the agreement with USABLE, and there are no changes to the coverage or premiums.

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend that Council approve the recommendations.

**Necessary Council Action:**

Accept or reject the Committee recommendation.

6) **Property & Liability (P&L) Insurance:**

Last year, Watson Insurance placed the Property and Casualty coverage with One Beacon America. The renewal for One Beacon America is \$679,473 which reflects an increase of \$59,248 (9%). Staff recommends the Committee approve renewing the property and liability coverage with One Beacon America.

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend that Council approve the recommendations.

**Necessary Council Action:**

Accept or reject the Committee recommendation.

Chairman Burkett thanked Mr. Watson for his attendance and his input on these matters. Also, Chairman Burkett requested that in the future, staff provide the Committee with ongoing updates on these issues prior to scheduled meetings, instead of receiving the information right before the meeting. These are important, long-term issues, and the Committee should be better informed before making decisions that affect the City.

**Other Related Matters:**

Having no other business, the meeting was adjourned at 8:40 a.m.