

**AUDIT/BIDS/INSURANCE COMMITTEE MEETING  
WEDNESDAY, JUNE 9, 2010 AT 9:00 a.m.  
COUNCIL CONFERENCE ROOM—2<sup>ND</sup> FLOOR, CITY HALL**

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

The Audit/Bids/Insurance Committee met on Wednesday, June 9, 2010, at 9:00 a.m. in the Council Conference Room, 2<sup>nd</sup> Floor, City Hall, Gastonia, North Carolina. Chairman Burkett called the meeting to order. Larry Wood, Assistant City Manager, requested that Item 1 on the Agenda be moved to the last item. Chairman Burkett and the committee granted the request. Chairman Burkett recognized Judy Smith, Assistant Director of Human Resources for staff's presentation.

**ITEM 1: Dental Insurance**

The City's dental insurance is currently self-funded with Delta Dental of North Carolina serving as the Plan Administrator. Delta Dental proposed an increase of 10% (going from \$2.36 per employee per month to \$2.60 per employee per month) in the administration cost. The total increase equals \$2,600 and could be absorbed in the dental insurance account. Staff recommends renewing the self-funded dental plan and continuing to utilize Delta Dental as the Plan Administrator with no change in the current level of funding.

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend that Council approve staff's recommendations to continue to utilize Delta Dental as the Plan Administrator.

**Necessary Council Action:**

Accept or reject the Committee recommendation.

**ITEM 2: Life Insurance**

The City's life insurance coverage is currently with Fort Dearborn Life Insurance (a subsidiary of Blue Cross). Based on service issues, staff requested that Blue Cross move the coverage. Blue Cross provided a quote from US Able which provides a decrease in the rate from .43 per thousand per month to .39 per thousand per month. This equates to an annual savings of \$22,304. The rate for AD&D coverage would remain the same .03 per thousand per month. Employees who elect dependent coverage would also receive a decrease in premiums from .35 per thousand to .32 per thousand.

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend that Council approve the staff recommendations to utilize US Able for life insurance.

**Necessary Council Action:**

Accept or reject the Committee recommendation.

**ITEM 3: Workers Compensation Insurance Excess Coverage**

Currently, the City has a self-insurance retention plan for workers compensation insurance excess coverage. Arthur J. Gallagher serves as the broker for this coverage (broker fee is increasing from \$12,000 to \$15,000). Arthur J. Gallagher provided quotes from Safety National and Midwest Employers Casualty for the workers compensation excess coverage.

**Committee Recommendation:**

A vote was not taken by the Committee; however, the Committee recommended taking the quotes from both Safety National and Midwest Employers Casualty along with their comments to present to full Council.

**Necessary Council Action:**

Accept or reject the Committee's recommendation.

**ITEM 4: Workers Compensation Insurance Claims Administrator**

The North Carolina League of Municipalities serves as the City's claims administrator for workers compensation. The estimated cost for fiscal year 09/10 is \$55,317. Their renewal recommended no increase in fees. Proposals were received from PMA and Hewitt Coleman. Hewitt Coleman was not based on life of the claim as requested and was much more expensive than the other two proposals. PMA's proposal was \$48,588.

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend renewing the TPA Service Agreement with the NC League of Municipalities. The premiums will remain the same (approximately \$55,317).

**Necessary Council Action:**

Accept or reject the Committee recommendation.

**ITEM 5: Property & Liability Insurance**

Property and Liability coverage for the City is currently with the Interlocal Risk Financing Fund of North Carolina (IRFFNC). IRFFNC recommended an increase of 5.55% which equates to \$36,720. Watson Insurance provided a proposal with One Beacon. This quote would equate to a decrease in premiums of \$41,734. This equates to a total "spread" of \$78,455 between the high and low bids. Staff recommends changing the Property and Casualty coverage to One Beacon through Watson Insurance.

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend that Council approve the staff recommendations to change the Property and Casualty coverage to One Beacon through Watson Insurance.

**Necessary Council Action:**

Accept or reject the Committee recommendation.

**ITEM 6: Airport Liability**

The Airport Liability coverage is currently budgeted at \$18,500 and is with Phoenix Aviation. The renewal reflects a decrease of \$1,365. Staff recommends renewing the Airport Liability with Phoenix Aviation through Gallagher.

**Committee Recommendation:**

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

**Necessary Council Action:**

Accept or reject the Committee recommendation.

**ITEM 7: The Health Fair:**

The current budget for the Health Fair is:

68-720-4.00 - \$3,000 (Professional Staff)

68-720-33.00 - \$28,000 (Flu Shots, Cholestech supplies, etc.)

Staff recommends continuing to fund this program.

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend that Council approve the continuation of funding for the health fair. The Committee also recommended giving employees the option of completing the Health Risk Assessment with no penalty or incentive tied to participation.

**Necessary Council Action:**

Accept or reject the Committee recommendation.

**ITEM 8: Stop Loss Coverage for Health Insurance**

The City currently has Stop Loss Insurance through Blue Cross Blue Shield of NC. This provides reinsurance for claims that exceed \$150,000 during the fiscal year. Staff recommends utilizing Group Benefit Solutions to place the coverage with either Chartis or Optum. This would provide a savings of approximately \$49,590 (\$79,344 less \$29,754 - 37.5% Commission fee). The final numbers will be presented to the full Council at the next Council meeting.

**Committee Recommendation:**

The Committee voted unanimously (3-0) to recommend that the final quotes be presented at the Council Meeting. (Consultant was still working on the final numbers at the time of the Committee Meeting.)

**ITEM 9: Other Business**

Due to the extremely high cost of the City's health insurance claims for fiscal year 09/10, staff proposes a \$700,000 budget amendment to transfer funding to cover health insurance claims for the remainder of the fiscal year. The budget amendment will be presented to full Council on June 15, 2010.

With no other items to discuss, Chairman Burkett adjourned the meeting.

