

WARREN COUNTY BOARD OF SUPERVISORS

COMMITTEE: INSURANCE

DATE: JANUARY 30, 2007

COMMITTEE MEMBERS PRESENT:

SUPERVISORS GERAGHTY
BENTLEY
HASKELL
GABRIELS

COMMITTEE MEMBERS ABSENT:

SUPERVISORS GIRARD
MERLINO
SOKOL

OTHERS PRESENT:

AMY CLUTE, SELF-INSURANCE ADMINISTRATOR
REPRESENTING CAPITAL FINANCIAL GROUP, INC.:

JOHN WEBER, PRESIDENT

LORI L. BURCH

KRISTY LANEY

REPRESENTING TD BANKNORTH:

RENEE BAKER

RICK LEONELLI

JOAN PARSONS, COMMISSIONER OF ADMINISTRATIVE &
FISCAL SERVICES

JOAN SADY, CLERK

SUPERVISOR F. THOMAS

PATRICIA NENNINGER, SECOND ASSISTANT COUNTY
ATTORNEY

HAL PAYNE, ADMINISTRATOR - WESTMOUNT HEALTH
FACILITY

AMANDA ALLEN, LEGISLATIVE OFFICE SPECIALIST

Mr. Geraghty called the meeting of the Insurance Committee to order at 10:30 a.m.

Motion was made by Mr. Gabriels, seconded by Mr. Bentley and carried unanimously to approve the minutes of the November 28, 2006 Committee meeting, subject to correction by the Clerk of the Board.

Privilege of the floor was extended to Amy Clute, Self-Insurance Administrator, who distributed copies of her agenda to the Committee members; *a copy of the agenda is on file with the minutes.*

Ms. Clute began by noting that Resolution No. 755 of 2006, which had approved the renewal of the Excess Workers' Compensation coverage had been written differently than intended. She explained that the resolution stated alternate coverage options would be investigated for 2008, while it should have been for 2007. In addition, Ms. Clute advised, TD Banknorth had performed those investigations and had found an alternate carrier willing to offer the same coverage at a slightly lower premium. Ms. Clute requested that the resolution be amended to correct the renewal year and also to name Midwest Employers Casualty Company as the preferred carrier of the Excess Workers' Compensation coverage for 2007.

Mr. Gabriels asked what the cost of the coverage through Midwest Employers Casualty Company would be and Ms. Clute replied that it was \$184,934 as opposed to the \$185,000 quoted by Safety National. She added that Renee Baker, of TD Banknorth, had advised that the policies were

identical and that the change was valid.

Motion was made by Mr. Haskell, seconded by Mr. Gabriels and carried unanimously to approve the request to amend Resolution No. 755 of 2006 to correct the renewal year to 2007 and to change the preferred carrier to Midwest Employers Casualty Company, and the necessary resolution was authorized for the February 16th Board meeting. *A copy of the resolution request is included with the minutes.*

Proceeding with agenda review, Mr. Geraghty introduced John Weber, President of Capital Financial Group, Inc., to address the status of health benefits for Warren County employees. Mr. Weber stated that he would provide the Committee with a brief overview of the finalized enrollment numbers and information as well as give an update on the status of the muni co-op situation. Mr. Weber and his associates distributed several documents to the Committee members, copies of which are on file with the minutes.

Mr. Weber began by detailing a chart which reflected the costs of the active coverage as well as the number of enrollees in each program. He noted that a total of 1050 Warren County active and retired employees were enrolled in the various plans; the CDPHP program boasted the highest number of enrollees with 617, and the MVP program claimed the second highest number with 199, Mr. Weber added.

The lowest cost carrier would change each year depending on the quotations received, Mr. Weber advised and he noted that MVP had been named the lowest cost carrier for 2007. Mr. Weber explained that the MVP plan had replaced the GHI program, which had been the lowest cost carrier in 2006. He noted that although the CDPHP program premium was lower than that of the MVP program, it could not be used as the lowest cost carrier because the plan deductible did not meet union requirements. He said that many employees had decided to join the CDPHP program regardless of the additional costs, which were minimal, rather than joining the MVP plan.

Mr. Weber pointed out that the second documents distributed referenced the costs for the various health care programs on the County, employee and cobra levels. He apprised that the retiree NYSHIP (New York State Health Insurance Program) plan required an employee contribution for the first time in 2007. He explained that because these retired enrollees were never required to make payment in the past, some did not understand why they were being billed and therefore had not made payment. Mr. Weber said that in an effort to be sure that these retirees did not lose their coverage, his firm had forwarded second notices to the unpaid accounts and intended to make telephone calls to each member explaining the situation.

Mr. Weber advised that upon reviewing the letter addressed to the NYSHIP members warning of cancellation of non-payment, Mr. Monroe had noted his concern that the letter was more forceful than necessary. Although Mr. Weber said he had never received any other complaint with respect to the letter, which his firm had used for a number of years, he would present a copy of the letter to the Committee for their review at their next meeting. Mr. Weber assured the Committee that

changes would be made to the letter if they shared Mr. Monroe's feelings.

Moving to the next handout, Mr. Weber explained that the document displayed a breakdown by percentage of the enrollees in each program. He asked the Committee members to review all of the remaining documents distributed at their leisure and he suggested that additional time be scheduled during the next Committee meeting to discuss the process used to bid the programs and also how the muni co-op situation would affect the health insurance programs in the future. Mr. Weber noted that if he were able to gain a quote for a group policy with all members enrolled with one carrier, it would be very hectic for the first year, but would greatly reduce the coverage costs in the long run.

Referring to the chart listing totals for the Medicare D Subsidy, Mr. Weber explained that the document reflected funds returned by the Federal Government for the use of the retiree drug card. He noted that the funds received were not exactly those expected, and his firm was unclear as to exactly what they had received, be it three or four quarters. Mr. Weber stated that to date, \$79,103.89 had been received from the Subsidy which would be applied against health care costs; however, he said, he expected the return to be upwards of \$100,000 over the next year. Mr. Weber advised that the Medicare D Subsidy process was something that needed to be revisited every quarter and it was his hope that the government would soon be on track and forwarding the reimbursement on time each quarter as originally established.

Mr. Weber introduced his associate Kristy Laney to discuss the services provided to Warren County employees. Ms. Laney distributed a chart to the Committee members which listed the volume of customer service calls received from Warren County employees on a monthly basis. She advised that upon receiving such calls, they were logged and documented in their computer system with a synopsis detailing the context of each call. 1,107 customer service related telephone calls were received in 2006, Ms. Laney stated, such as requests for additional benefit ID cards, benefit questions, provider relations and claims information. Ms. Laney noted that she had received several letters of appreciation from Warren County employees with respect to assistance they had received from Capital Financial Group, Inc. and a few of those had been included in the handouts distributed to the Committee. One specific example, Ms. Laney expounded, detailed the appreciation of one employee whose claim for out-of-state testing at a non-participating facility was covered, after several denials, upon her firm's intervention on the employee's behalf.

Ms. Laney distributed a handout to each of the Committee members which listed the services rendered to Warren County employees by Capital Financial Group, Inc. on both a daily basis and those services provided for collection of the Medicare D Subsidy; *a copy of the document is included with the minutes*. Ms. Laney noted that a new application was required each year for collection of the Subsidy and her firm employed one full time person solely for this purpose.

As for the open enrollment period, Ms. Laney advised that the process had gone very well with no major complaints about changes in rates or benefits. She noted that she and other members of her firm's staff had attended each and every enrollment meeting, distributing business cards and information to answer any questions County employees might have. Ms. Laney stated that her firm

continued to update the database of Warren County employees and coverage that they maintained, and this database was also used by Paul Dusek, County Attorney, in union negotiations.

Returning to the rate sheet listing the cost of coverage on County and employee levels, Mr. Haskell noted that the cost of the CDPHP program was less than that of the MVP program, which was free to Warren County employees on an individual basis due to their status as the carrier qualified as the lowest cost coverage; however, he noted, the CDPHP program required an employee contribution of \$6.60 on an individual basis. Mr. Haskell stated that he understood why CDPHP could not be considered the lowest cost carrier because they did not meet the union's deductible requirement, but he did not understand why there would be any employee contribution when the coverage cost was much less and he asked Mr. Weber for clarification. Mr. Weber advised that the rates listed were the result of the use of a formula implemented by Warren County. Ms. Clute added that the resolution pertaining to Warren County's contribution to employee insurance read that the insurance formula would be implemented in all instances except for that of the lowest cost carrier, in which case the County would pay the full amount. Joan Parsons, Commissioner of Administrative and Fiscal Services, suggested that more detailed information on the development of the rates be presented at the next meeting and the Committee agreed. Mr. Weber advised that he would certainly provide this information at the next Committee meeting.

Discussion ensued.

Mr. Bentley advised that he had learned of a Medicare E health insurance option offered by Traditional Blue which offered similar coverage at a lower premium than what was currently offered and he asked Mr. Weber if this program might be a viable option for the future. Mr. Weber replied that the program Mr. Bentley had mentioned was actually a Medicare Supplement program which would only pay the same rate as the Medicare program, whereas the current HMO program would pay everything that the Medicare program did not pay, leaving more coverage. He added that there were new options for Medicare Supplement programs which might be reasonably considered as an alternative to the current HMO program; however, those options had not been available when the current program was chosen. Ms. Laney noted that if an alternate Supplement program was chosen, they would no longer be eligible to collect the Medicare D Subsidy, leading to a loss of \$75,000 to upwards of \$100,000 per year. Mr. Bentley pointed out that although the refund of the Subsidy funds was substantial, the savings gained by the implementation of a lower cost Supplement program would be greater. Mr. Weber advised that these Supplement programs traditionally included several drawbacks such as the required use of local network providers and increased costs for use out of network. As per Mr. Geraghty's suggestion, Mr. Weber said that he would present detailed information on the alternate programs available during a future Committee meetings.

Discussion ensued.

Mrs. Parsons advised the Committee that during his recent illness, Harold Robillard, former Clerk of the Board, was unable to participate in coordinating his coverage to facilitate the necessary health care and she thanked Mr. Weber and his staff for their assistance in connection with the matter.

Mr. Gabriels asked for an update on the status of the request to lower the required number of employees to develop a muni co-op and Mr. Weber replied that the process was still on-going. He noted that although letters requesting the change had been sent by both the Committee and his firm, no action had been taken. Mr. Weber advised that in speaking with Senator Little he had been notified that the parties involved in the process had changed since the recent elections. In addition, he noted, Senator Little had stated that she had been advised by several agents within the New York State Insurance Department that dependents could be included in the number required for a muni co-op, making Warren County eligible for group coverage; however, Mr. Weber advised, Article 45, which detailed the muni co-op requirement, clearly stated the opposite. He said that Warren County could certainly proceed in developing a muni co-op illegally with less than the required number; however, if the Insurance Department were to review the group they would demand that it be disbanded due to the lack of qualified members. Mr. Weber advised that he and his firm continued to work on this issue and would keep the Committee apprised of the situation.

Mr. Geraghty introduced Renee Baker and Rick Leonelli, both of TD Banknorth, who were in attendance to present renewal information on the lines of coverage insured by TD Banknorth.

Mrs. Baker distributed copies of the renewal proposal to the Committee members, *a copy of which is on file with the minutes*, and proceeded to briefly describe the information included therein. She advised that the first thirteen pages of the proposal listed all of Warren County locations covered as well as the building descriptions, contents and limits of coverage. Mrs. Baker apprised that overall the total property values were down from the prior year due to recent appraisals; however, the insurance coverage limits had increased approximately 5% due to inflation standards, she added. Mrs. Baker explained that because NYMIR (New York Municipal Insurance Reciprocal), had included extra schedule credits and the Hague sewer locations had been removed, they were able to reduce the amount by which the premium had increased.

Mrs. Baker apprised that the building and contents values had been distributed to all Department Heads, most of which had been returned with notice that there were no discrepancies or changes to be made. She noted that the Boiler and Machinery coverage limit listed in the proposal combined 100% of the building and contents limits and the railroad crossings. The Inland Marine coverage section included an equipment floater listing, Mrs. Baker advised, which reflected the values of items such as scheduled, leased and rented equipment; auto physical damage for larger vehicles; radios; water craft and railroad crossings. She announced that for 2007, they were able to place the Inland Marine coverage with Excelsior Insurance for a savings of \$3,000.

Mr. Bentley noted that criminal acts were listed as an exclusion on the Inland Marine policy and he asked if vandalism or theft, as in the case of the copper stolen from the railroad crossing in 2006, would be covered under the policy. Mrs. Baker explained that vandalism was certainly covered, and in researching the case of the stolen copper she had found that the loss would be covered, subject to deductible, as the copper was considered a working part of the crossing.

Continuing to the Commercial Crime portion of the proposal, Mrs. Baker advised that the coverage had been written with Travelers for 2007, as it had been non-renewed by The Hartford due to

underwriting guidelines. She noted that the change in carriers had led to a decrease in premium for identical coverage. The Commercial General Liability section, Mrs. Baker apprised, reflected coverage for occurrences such as slip and fall accidents, personal or advertising injury, fire damage and medical expenses as well as employee benefit liability, which provided coverage in the event that an employee's coverage did not begin on a specified date. Mrs. Baker noted that this section of the proposal had sustained the highest premium increase as it was driven by the amount of the 2007 Budget, which had also increased.

Mr. Bentley noted that the Schedule of Hazards under the Commercial General Liability section listed a ski facility and he asked what that referred to. Ms. Clute replied that this pertained to a cross county ski area located by Cronin's Golf Course in Warrensburg.

Mrs. Baker apprised that the Airport Liability section had been renewed exactly as it was in 2006, although the premium had decreased by approximately \$200. She reminded the Committee that Hangarkeeper's Liability had been added late in 2006 to protect the value of any aircraft owned by another person but damaged while housed in a building owned by the County. Mrs. Baker advised that the Healthcare Professional and Healthcare General Liability lines of coverage, both written with NYMIR, had also been renewed exactly as they were in 2006.

Proceeding to the Law Enforcement portion of the proposal, Mrs. Baker advised that although a much larger 14% increase had been anticipated, only a 5% increase was realized for the coverage. She noted that the Public Officials policy, written with NYMIR, had suffered a premium increase as the rate was determined solely upon the General Liability and Law Enforcement premiums, which had both increased.

Mr. Gabriels asked if the retro-active coverage date of 1900 listed on the Public Officials coverage was an error and Mrs. Baker replied that it was not. She added that this was the date included by NYMIR and was an excellent benefit.

Mrs. Baker explained that pages 39 through 53 of the proposal pertained to the Commercial Automobile Policy. She noted that the only changes to the coverage were those mandated by the Committee's decision to retain full comprehensive and collision coverage only for vehicles valued over \$10,000. Mrs. Baker said that the change had resulted in an increase to the number of vehicles carrying physical damage coverage by ten; she added that the total number of vehicles covered by the Commercial Automobile policy had increased by thirteen from 2006.

Mr. Geraghty asked if the vehicle coverages listed on the Commercial Automobile Policy had been determined using the rules established by the Committee, and Mrs. Baker replied that they were. She added that a listing of the estimated values for each vehicle had been distributed to the Department Heads for their review prior to determining the coverage placed.

Mrs. Parsons questioned the fact that two 2007 Skidoo snowmobiles were listed under both the Inland Marine coverage and the Commercial Automobile policy, and Mrs. Baker replied that they had to be listed under the Inland Marine policy for physical damage coverage and under the

Commercial Automobile policy for liability coverage. She added that this was the case for most of the off-road vehicles and larger trucks.

Discussion ensued.

As previously mentioned by Ms. Clute, Mrs. Baker stated that TD Banknorth was able to gain a slightly lower quotation for Excess Worker's Compensation coverage through Midwest Employers Casualty for 2007. She noted that the coverage was identical to that secured in 2006, carrying the same policy limits and self-insured retention. Moving to the Excess Employer's Liability, Mrs. Baker apprised that the coverage had been renewed with USLI (United States Liability Insurance), and carried the same limits as in 2006.

Mr. Geraghty asked why the limit of coverage was higher for volunteer firefighters and ambulance workers than other employees, and Mrs. Baker explained that it was because the carrier had experienced a higher volume of claims from this area than others. Mr. Leonelli noted that the coverage limits were determined by the carrier, based on exposure, and some carriers would not quote less than a \$2 million limit in this area.

Moving to the Excess Liability section, Mrs. Baker advised that this policy, written with NYMIR, extended coverage over and above the limits enforced by the General Liability, Automobile Liability, Public Officials and Law Enforcement policies in the amount of \$10 million. Mrs. Baker stated that the last line of coverage included was the Commercial Pollution Legal Liability. She noted that the expiring policy had been written with AIG on a three year term and, as such, the underwriting company had spent a good part of the past year inspecting the sites covered by this policy. Upon completion of their inspections, AIG had determined that the coverage would be renewed; however, it would be written as a non-admitted policy, Mrs. Baker stated. She noted that AIG had made the decision to write all pollution policies on a non-admitted basis due to increased risk and exposure. Because of the change, Mrs. Baker advised that TD Banknorth had begun searching for alternate options for this coverage to be sure that there were no other carriers willing to write the coverage as an admitted policy. She added that so far the AIG non-admitted policy quotation was the only one received.

Mr. Gabriels asked for an explanation of a non-admitted policy and Mr. Leonelli explained that most carriers operating within New York State were required to file policy forms, rates and underwriting guidelines with the New York State Insurance Department, and in doing so become a participant in the insolvency fund placed by New York State. He advised that in the event that an admitted carrier becomes insolvent, they would have only \$1 million coverage, however, they would be covered under the New York State insolvency fund. The biggest part of the equation, Mr. Leonelli stated, was that policy forms and coverages must be approved by the State prior to becoming an admitted carrier and because pollution issues had the potential to become very difficult to litigate, there were carriers that would entertain the risk; however, only as a non-admitted policy wherein the rates, underwriting guidelines and coverages were not subject to New York State approval. Mr. Leonelli noted that in dealing with a non-admitted carrier, or policy, it was important to be sure that the coverage and policy limits were acceptable, as well as to determine the probability of the carrier claiming

insolvency. In this instance, he advised, the coverage and policy limits were similar to those carried in prior years and, as AIG was one of the largest carriers available, there was little chance of their becoming insolvent. Mr. Leonelli stated that AIG had expressed a great deal of interest in retaining the policy; however, TD Banknorth was seeking to re-write the coverage with an admitted carrier, although the rate might be higher. Mr. Leonelli advised the Committee that it was important to remember that the expiring policy had been secured with AIG for a three-year term on a pre-paid basis and they were now attempting to replace that policy in a changing environment and marketplace. In closing, Mr. Leonelli explained that AIG had agreed to extend the expiration date of the current policy to February 16, 2007 in light of the fact that they were unwilling to renew the coverage as an admitted policy. He added that if TD Banknorth was unable to secure an admitted policy prior to the extended expiration date, the coverage would be renewed as a non-admitted policy with AIG.

Mrs. Baker apprised that when the policy was initially written three years ago, AIG had used the full statement of values to determine the scope of coverage and it was discovered belatedly that the statement of values did not include Warren County's fuel farms. She reminded the Committee that because of the estimated increase in premium to add these fuel farms, it was decided that the schedule should be reduced to include only those locations with a definite potential for environmental pollution. In doing so, the schedule had been reduced from 56 locations to the 13 currently included in the quotation, Mrs. Baker added. She noted that it was her hope that they would acquire firm proposals for the pollution coverage to present to the Committee within the coming weeks as the coverage must be bound prior to the February 16th expiration date.

Mr. Gabriels reminded the Committee that as per the edict enforced by the New York State Comptroller, from the 2007 Budget on appropriations and revenues relating to the payment of sales tax to the various towns in Warren County must be included in the Budget, although they never had been previously. Returning to Mrs. Baker's comment that the General Liability insurance premium was based solely upon the 2007 Budget, Mr. Gabriels asked if the \$20 million in sales tax added to the Budget for payment to the towns had been taken into consideration in determining the policy premium. Mrs. Baker replied that she was unsure if this had been considered, but advised that the underwriting company had referred to a total budget figure of \$136 million in determining the policy premium. Mr. Geraghty stated that the figure used to determine the rate had indeed included the \$20 million in sales tax, which should have been removed to determine the actual budget for rating purposes, as those funds truly belonged to the individual towns and not to the County. Mrs. Baker advised that she would contact the underwriting company to clarify the situation and would return to the Committee with her resolution.

Returning to the agenda review, Ms. Clute advised that both the NYMIR Loss Report and the November and December 2006 Self-Insurance Fund Activity Reports were included with the agenda. She asked the Committee members to peruse the reports at their convenience and contact her with any questions. Ms. Clute advised that she would be distributing copies of the KBM Audit Report at the close of the meeting and she noted that KBM had requested a special meeting to discuss their findings and give their recommendations for the future. Ms. Clute added that she hoped to schedule that meeting within the next three weeks and she would contact Joan Sady, Clerk of the Board, to

make those arrangements.

The final agenda item, Ms. Clute advised, was a request to reclassify and fill an expected vacancy. She explained that Wanda Armstrong, the Self-Insurance Specialist working in her office, had announced her retirement for the end of March but had not set a specific date. As time was short, Ms. Clute requested permission to fill the vacancy and to reclassify the position from that of a Self-Insurance Specialist with a base salary of \$31,291 to an Account Clerk with a base salary of \$23,645. She noted that the salary for this position was not included in the Budget and was derived from the Self-Insurance Fund.

Mrs. Parsons advised that she had discussed this reclassification with Ms. Clute and she was in agreement with the idea of downgrading the position as it was not necessary to hire an individual trained in insurance as Ms. Armstrong was.

Mr. Haskell asked if Ms. Clute had received a written statement declaring Ms. Armstrong's retirement and Ms. Clute replied in the negative. Mr. Haskell advised that in light of the lack of written confirmation, the Committee should not act on the request until it was received. Ms. Clute pointed out that the Committee would not meet again until the end of February and if the request were postponed, she would not have sufficient time to hire and train a replacement prior to Ms. Armstrong's retirement. Mr. Geraghty noted that it was imperative to the Self-Insurance Department that Ms. Clute be allowed the appropriate amount of time to train Ms. Armstrong's replacement. Mr. Haskell suggested that the request be approved provided that Ms. Clute supply a letter of retirement written by Ms. Armstrong, prior to the February 7th Personnel Committee meeting and Ms. Clute conceded. (*Subsequent to the meeting Ms. Armstrong's letter confirming retirement was received and a copy is on file with the minutes.*)

Motion was made by Mr. Haskell, seconded by Mr. Bentley and carried unanimously to approve both the request to reclassify the vacant position of Self-Insurance Specialist, base salary \$31,291 to that of an Account Clerk, base salary \$23,645 and to fill the Account Clerk position and refer both requests to the Personnel Committee. *Copies of both requests are on file with the minutes.*

Mrs. Parsons advised that she had a final issue for discussion pertaining to a possible amendment of Resolution No. 597 of 2006 which defined the process for donations to non-profit organizations made via payroll deduction by Warren County employees. She noted that she had received a call from an organization that was concerned about a specific identifier in the resolution which required 25 pledges from employees stating that they were willing to donate prior to seeking additional donations. Mrs. Parsons apprised that she had spoken with Paul Dusek, County Attorney, and it was his suggestion that the resolution be brought back to the Committee for further discussion.

Mr. Haskell noted that because the resolution had come from the Personnel Committee it should be referred back to them for their consideration.

Motion was made by Mr. Haskell, seconded by Mr. Bentley and carried unanimously to refer the review and possible amendment of Resolution No. 597 of 2006 as referenced by Mrs. Parsons to the Personnel Committee for further review.

As there was no further business to come before the Insurance Committee, on motion made by Mr. Bentley and seconded by Mr. Gabriels, Mr. Geraghty adjourned the meeting at 11:29 a.m.

Respectfully Submitted,
Amanda Allen, Legislative Office Specialist