

**GREATER**

**TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM**

Municipalities building a  
stable insurance future.

125 East Court Street  
Ithaca, NY 14850  
607-274-5590  
INFO: [HinsConсор@tomпkins-co.org](mailto:HinsConсор@tomпkins-co.org)  
[www.tomпkins-co.org](http://www.tomпkins-co.org)

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**Greater Tompkins County Municipal Health Insurance Consortium MINUTES**

**Board of Directors**

**April 29, 2010**

**Old Jail Conference Room**

**Agenda \*\*\*\***

1. Approve March 2010 Minutes
2. Financial Update
3. Reserving requirements/ Financial instruments
4. Union participation/ Joint Committee Update
5. Public Officials insurance and Errors and Omissions insurance update

*\*\*\*Disclaimer: While these items have been discussed, NONE of them have been voted on or finalized. All plans are in the DRAFT phase.*

***Present:***

***Municipalities:***

Steve Thayer- City of Ithaca , Anita Fitzpatrick -County of Tompkins , Don Barber -Town of Caroline , Laura Shawley- Town of Danby, Mary Ann Sumner -Town of Dryden, Judith Drake -Town of Ithaca , Kate Supron- Village of Cayuga Heights, Charles V. Rankin- Village of Groton

***Union:***

CSEA - Chantalise Demarco, President TC3 PAA - Darlene Finn,

***Absent:***

Town of Enfield, Town of Ulysses, Town of Groton, Village of Dryden, Village of Trumansburg

***In attendance:***

Steve Locey & David M Sanders-Locey & Cahill, Sharon Dovi -TC3 , Joe Mareane, & David Squires- Tompkins County, Greg Stevenson & David Teeter- Ithaca Paid Fire Fighters Association

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**Welcome Agenda**

Chair Don Barber called the meeting to order at 5:38pm.

**1. Approval of March 2010 Minutes**

March minutes were reviewed by the Board of Directors.

Motion: Mary Ann Sumner

Second: Charles V. Rankin

Discussion: Change the word “delusion” to “dilution” with several minor typos.

Carried: Unanimously

**2. Financial Update**

After a long and at times petulant communication with the NYS Insurance Department, an understanding has been reached. Mr. Locey provided the BODs a copy of a five year estimated fiscal forecast, in order to reveal the consortiums estimated future budgets.

There were two main areas of disagreement with the NYSID.

The first area are the Paid Claims Numbers.

Mr. Locey still does not agree with the State’s figures, however they make the rules and we follow. The following document has been amended to match the NYSID’s methodology.

Expense	Original Estimate	Revised Estimate
Paid Claims	\$17,569,409.00	\$20,005,221.00
Admin. Fee	\$693,168.00	\$686,112.00
Specific Stop Loss	\$259,938.00	\$381,672.00
Aggregate Stop Loss	\$75,000.00	\$32,521.00
<b>Surety Bond fee/ interest</b>	n/a	\$66,000.00
Total Expense	\$19,024,398.00	\$21,598,409.00
Ending balance	\$5,490,310.93	\$2,916,299.93

Second area of dispute is Liabilities. Mr. Locey reviewed the consortium liability numbers, determined by the State and presented in our existing budget estimates.

Liability	Original Estimate	Revised Estimate
IBNR Reserve	\$3,422,509.95	\$3,946,592.07
Rate Stabilization Reserve	\$1,223,735.45	\$1,223,735.45

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Unencumbered Fund Bal.	\$844,065.54	<-\$2,254,027.58>
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The <-\$2,254,027.58> deficit will need to be guaranteed by some method, according to the NYS Insurance Department. The new line item, **Surety Bond fee/ interest**, reflects the amount of \$66,000.00, which is an estimated three percent interest on a 2.2 million dollar surety bond.

Mr. Locey stated that this entire process is based on assumptions; his professional opinion is that there will be a greater amount of cash flow at the end of the budget year. Only after the consortium's first year will "real" costs be exposed, determining our Net Income, Fund Balance, Income and Expenses. The newest model changes are made in order to provide and satisfy the NYS Insurance Department's interpretation of Article 47.

Mr. Locey provided the BOD a five year fiscal forecast from 2011 to 2015, with a list of ten assumptions, which he covered in detail. Each provides an array of changing expenses and income amounts via a multitude of changes from year to year. The end result is a positive balance of \$744,802.69 following the 2015 budget year.

When asked for his professional opinion of the actual IBNR that will be experienced by the consortium, Mr. Locey stated 7-9%. The State is asking us to use 17%, which has been lowered from the original amount of 25%. Mr. Locey's estimates are compiled from data contributed by the City, County and Town of Ithaca, which represent over ninety percent of the entire consortium covered. Excellus BCBS, indirectly, has confirmed Mr. Locey's estimates as they are asking for only 1.9 million to cover the consortium's run out. Mr. Locey believes that the States numbers are very conservative and in effect count two million dollars worth of expenses twice, once in paid claims and than again in run-out.

**Cash Flow**

The NYS Insurance Department is concerned that on day one, the consortium does not have any capital. The consortium is being treated ~ as a small insurance company, not a municipal entity, which doesn't have business-like capacities. At the very least the consortium will need 1.9 million (Rate Stabilization Reserve) in order to start, according to the NYSID. Mr. Locey proposed that it is estimated the consortium will bring in 2 million dollars a month (through collecting premiums) and that by doubling the first month's premiums the reserve would be reached. According to Mr. Locey after year one the consortium will have nearly three million dollars above expenses. However, interpretation of Article 47 by NYS Insurance Department differs significantly.

**3. Reserving requirements/ financial instruments**

Mr. Barber summarized to date, the communication with the NYSID on reserve

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requirements section 1300 of Article 47. The meeting discussed the Municipal Cooperative Agreement (MCA) obligations, moral commitment, and the proposed usage of a surety Bond, to cover liabilities if the consortium were to disband prior to positive cash flow.

NOTE: The MCA describes in detail who, how and what obligations each entity is responsible for in such an event.

The NYSID Commissioner has, to date, not provide the Consortium with an opinion on the use of a Surety Bond. Mr. Barber assures the BOD that he calls on a regular basis, hoping to bring to a successful end to the last two remaining issues, which include Reserve Requirement and Unions Participation.

A long brainstorming session began which expressed several possible reserving options needed to cover the 2.2 million dollar deficit as described by the NYSID methodology, they include:

- Donating capital similar to that of NYMIR (New York Municipal Insurance Reciprocal) for Municipalities that are fiscally able to contribute. Constitutional issues and concerns will be explored and studied.
- Venture capital, lending the consortium money with a three percentage interest rate.
- Letter of Credit (LOC) possibly the best option, but unfortunately not a viable one, since the consortium doesn't have financial statements. LOC is half the cost of a Surety Bond.
- MCA obligation and taxing power, what type of collateral does that provide?
- Increase premiums by 9 %, not a practical option.
- Contact the State Comptroller in order to solidify an appropriate path.

Bottom line, according to Mr. Locey the NYSID wants 5.5 millions to cover 2 millions dollars worth of liability, although our estimates will illustrate deficits, and our "true" numbers will be much less. Per Mr. Barber, do we wait for the NYSID to make a decision or do we become proactive and attempt to solve the issue ourselves.

#### **4. Union participation/ Joint Committee Update**

Ms. Demarco stated that the Unions are scheduled to meet on Monday, May 3<sup>rd</sup>. They will concentrate on some revisions, which focus on the following area; language/ collective bargaining topics, number of Unions representatives, increasing comfort with changes in the voting rights definition, and determining Union verses Bargaining Unit issues.

#### **5. Public Officials insurance and Errors and Omissions insurance update**

Mr. Locey provided the following quotes:

Public Officials Insurance -cost \$11,500 –covers the consortium negligence e.g.: did not pay a claim that was disputed.

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Errors and Omissions cost- \$9,000 -covers individual Board members for decisions made.

Both insurance coverage is necessary, which would increase the budget by about \$10,000.

**Additional Agenda items**

Effect on Community rating changes.

Questions arose to the status of the Town of Groton, who has not had regularly attended the BOD meetings to date. Mr. Don Barber stated that he has not heard anything, which would leave him to believe that the Town of Groton was no longer a member of the Consortium, but that he would contact their Town Supervisor to confirm their status.

Adjournment 6:42

Motion: Kate Supron

Second: Laura Shawley

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