

MINUTES

Meeting of February 20, 2007
Kenneth Hahn Hall of Administration, Department Room 374-A
500 West Temple Street, Los Angeles, CA 90012

Commissioners Present: Barry R. Binder, Bob L. Blake, J.D., William K. Callagy, Daniel Falcon, Scott J. Svonkin, Patricia Torres, Esq., Steve Vicencia, CPCU

Commissioners Absent: Glenn S. Brown, Michael G. Cheung, Helene S. Lohr, LUTCF

CALL TO ORDER

In the absence of a quorum, Chairman Svonkin called the meeting to order as a Committee of the Whole, at 10:13 a.m.

APPROVAL OF AUGUST 10, 2006 MEETING MINUTES

(Commissioners Binder and Torres joined the meeting and the meeting was called to order at 10:25 a.m.)

On motion of Commissioner Vicencia, seconded by Commissioner Binder and unanimously carried, the November 16, 2006 meeting minutes and the December 8, 2006 meeting summary were approved.

CHAIRMAN'S REPORT

Chairman Svonkin welcomed Commissioner Bob L. Blake, Supervisor Burke's new appointee. Commissioner Blake greeted the Commission.

Chairman Svonkin reported on correspondence received from Assemblymember Curren D. Price, Jr., California Secretary of State Debra Bowen and State Treasurer Bill Lockyer. Staff was directed to schedule a meeting to honor former Commissioner Price for his 6 years of service to the Commission. Also, staff will follow-up on correspondence mailed to new State Insurance Commissioner Poizner and schedule his attendance at a future Commission meeting. Chairman Svonkin reported on the Sudan Divestment Task Force and directed staff to forward Commissioners a copy of the Commission's Blue Cross correspondence dated November 16, 2006.

NOMINATION AND ELECTION OF OFFICERS (CHAIRMAN AND VICE CHAIRMAN)

Nominations for *Chairman* were opened. Vice Chairman Falcon nominated Chairman Svonkin. Nominations were closed. On motion of Vice Chair Falcon, seconded by Commissioner Vicencia and unanimously carried, Chairman Svonkin was re-elected as Chairman for a term ending December 31, 2007.

Nominations for *Vice Chair* were opened. Chairman Svonkin nominated Vice Chair Falcon. Nominations were closed. On motion of Chairman Svonkin, seconded by Commissioner Vicencia and unanimously carried, Vice Chair Falcon was re-elected as Vice Chair for a term ending December 31, 2007.

(Vice Chair Falcon was excused from the meeting at 10:50 a.m.)

STAFF REPORT

Gabriel Alexander, Staff, provided the Commission with the following information:

- A copy of the minute letter wherein the Board of Supervisors approved and extended the Commission on Insurance's Sunset Review Date to March 31, 2011;
- The Commission's meeting schedule for 2007; a meeting to honor former Commissioner Price is scheduled for March 30, 2007;
- Newspaper articles that relate to insurance issues as requested by Chairman Svonkin; included was a report on the Sudan Divestment Task Force;
- A copy of December 18, 2006 correspondence regarding Personal Liability of County Commission/Committee Members;
- Revised Commissioner Roster which includes newly appointed Commissioner Blake; and
- Commission for Women's annual luncheon invitation.

Staff will identify Sub-Committees created by the Commission.

Chairman Svonkin thanked staff for their assistance.

TRIA UPDATE – ROCKY ARMFIELD, MANAGER, LAC RISK MANAGEMENT

Rocky Armfield, Manager, LAC Risk Management, reported on the following *Risk Management and Disaster Updates*:

- After attending monthly meetings since November 2006, with Risk Managers representing the Metropolitan Transportation Authority (MTA) and the Los Angeles Unified School District (LASD), agreement on the importance of the Terrorism Insurance Act (TRIA) was reached;
- Should TRIA (which sunsets December 31, 2007) get assigned to a specific Committee in Congress, following agreement by a consortium of Risk Managers and the support of the Commission on Insurance, LAC Risk Management will seek Board of Supervisors' approval for TRIA's renewal without changes, or with proposed changes, or for a replacement terrorism coverage plan;
- Some proposed TRIA improvements include insuring Domestic Terrorism; Bio Nuclear; Nuclear Acts; and Dirty Bombs; and

- Due to the rising costs of terrorism and if TRIA is not approved at the Federal level, California should consider Great Britain's model of "insurance pooling". The Chairman of Independent Agencies has indicated that TRIA would be most beneficial statewide.

Chairman Svonkin requested a copy of the proposed changes and/or improvements to TRIA.

In response to Commissioner Callagy, Mr. Armfield explained that all Risk Management agencies in the region were invited, however, due to holiday scheduling conflicts of others, only LAUSD and the MTA began meeting with LAC. Following discussion, listing of all invitees will be provided to the Commission.

Chairman Svonkin thanked Rocky Armfield for his informative report, commended him for his efforts on behalf of the County, and requested a follow-up report when available, for future discussion.

WORKERS' COMPENSATION UPDATE

Commissioner Callagy reported that the County of Los Angeles Worker's Compensation expenses continue to decrease.

In response to a question from Commissioner Callagy, Rocky Armfield reported on the Chief Administrative Office Risk Management Annual Report (copy on file):

- Fiscal Year 2005-06 Results-
A reduction of almost \$3 million has been achieved as a result of *workers' compensation reforms* coupled with a *loss prevention program*; claims continue to decrease despite an increase of County personnel (Sheriff's, Fire and Probation Departments);
- Actuarial Results-
Projected losses continue to decrease: FY 2004: \$3.7 million; and FY 2006: \$2.4 million.

In response to Commissioner Blake, Mr. Armfield reported that expenses continue to decrease, and that assertive efforts by County Departments to rehabilitate injured employees and return them to work, has had a positive effect.

Mr. Armfield reported that an association exists between work functions and injury claims; exposures can be monumental; and the average claim-applicant has been employed 10-30 years.

In response to Chairman Svonkin, Mr. Armfield reported that although workers' compensation claims average one (1) per month, a dispute resolution process has been drafted and submitted to Steve J. Carnevale, County Counsel, MTA. Litigation between the MTA and Los Angeles County (regarding workers' compensation subrogation claims) has been resolved and all legal actions are withdrawn.

Chairman Svonkin requested a copy of the proposed dispute resolution draft for future discussion.

Chairman Svonkin thanked Rocky Armfield for his informative report.

CONTINUED DISCUSSION ON APPROVAL OF HEALTH AND MEDICAL APPLICATIONS; CANCELLATION OF EXISTING POLICIES; AND RELATED ISSUES

The Commission agreed that it would be in the best interest of all Los Angeles County residents if the state insurance application were standardized and put in force by all insurance companies doing business in California. Chairman Svonkin requested that all Commissioners review the Blue Shield response letter dated November 17, 2006. Following discussion, Commissioner Binder agreed to draft a response to Blue Shield.

On motion of Commissioner Torres, seconded by Commissioner Vicencia and unanimously carried, the Commission directed staff to contact the Chief Administrative Office (CAO) regarding any State legislation on health care issues, including the standardization of an insurance application for health and medical coverage and any other pertinent insurance issues.

On motion of Commissioner Callagy, seconded by Commissioner Binder (Commissioner Torres abstained) and duly carried, the Commission will request that the Board of Supervisors work with the State Legislature to approve a standardized insurance application for use by all California insurance companies that cannot be rescinded and/or cancelled without reasonable proof of intentional negligence on behalf of the applicant.

DISCUSSION ON POINTS OF INTEREST AS RECOMMENDED BY COMMISSIONERS AND INSURANCE COMMISSIONER GARAMENDI

The Commission agreed to discuss the following recommendations at a future meeting:

1. Research Armenian genocide litigation settlements;
2. Look at the association between the Department of Motor Vehicles and the low-cost auto insurance programs, and their correlation with policy cancellations and license revocation notices;
3. Monitor the regulatory processes relative to low-cost rates of insurance policies for the low-income communities;
4. Ensure attention to the State Fund's mission;

5. Senior citizen issues need to be looked at, specifically alleged business fraud perpetrated by Zurich; a bestpractice informational booklet has been sent to the Legislature asking for stronger anti-fraud enforcement; updates are forthcoming; and
6. Engage the State Governor on Health and Medical Insurance issues, i.e. post event underwriting.

Additionally, the Commission directed Staff to contact the CAO and request any legislation as it relates to the above listed issues; and identify any support on these issues from Governor Schwarzenegger, Assemblymember Nunez, and California State Senators Perata and Kuehl.

DISCUSSION ON SUDAN/DARFUR DIVESTMENT TASK FORCE LISTING ON COMPANIES THAT WARRANT SCRUTINY

The Commission agreed to request information from the CAO on existing investments related to Sudan/Darfur, and whether there is any related County precedence for divestments.

On motion of Vice Chair Falcon, seconded by Commissioner Blake and unanimously carried, the Commission directed Staff to request a CAO investigation on whether any insurance companies in California are conducting business with Sudan/Darfur, and if so, to provide the Commission on Insurance a list of these agencies.

DISCUSSION ON STATE LEGISLATIVE AGENDA FOR THE 2007-08 SESSION

Chairman Svonkin reported that the State Legislative Agenda for the 2007-08 session includes items approved by the Board of Supervisors that memorializes the Commission on Insurance's involvement to protect the interests of all Los Angeles County constituents.

- A.) State Legislation for Informational Purposes-
Chairman Svonkin provided a copy for all Commissioners;
- B.) Bills for Consideration by the Commission and Review of Governor's Health Plan- (Information forthcoming).

Chairman Svonkin thanked all the Commissioners and Staff for their efforts and hard work.

DISCUSSION ON AUDIT COMMITTEE SUNSET REVIEW BOARD LETTER

The Commission's Sunset Review date is extended to March 31, 2011.

COMMITTEE APPOINTMENTS

Chairman Svonkin advised that those Commissioners interested will be appointed to Sub Committees in the near future.

PUBLIC COMMENT

There was none.

MATTERS NOT POSTED ON THE AGENDA

Commissioner Callagy requested that the Commission agendaize follow-up legislation for discussion as it relates to the State Worker's Compensation Fund.

ADJOURNMENT

There being no further business and without objection, the meeting was adjourned at 12:05 p.m.

ATTENDANCE

Staff

Lee Millen, Senior Staff, Board of Supervisors
Gabriel Alexander, Staff, Board of Supervisors

Guests

Rocky Armfield, Manager, LAC Risk Management
Eddie Martinez, Public Affairs, State Farm
Mary Callagy