

**Florida Health Reinsurance Program
Board of Directors Meeting
February 22, 2007
Greenberg Traurig, Tallahassee, FL
&
March 22, 2007
(Continuation Agenda Item X from February 22, 2007 Meeting)
2PM
Conference Call**

APPROVED MINUTES

Board Members Present:

Rich Robleto	W. Adam Clatsoff
Leslie Dughi	Harry Spring
Randy Kammer	Tamara Meyerson
Steve Wohlwend	Tom Warring
Jim Snyder	

Others Present:

Jim Bracher	Sandra Morgan
Rick Wiseman	Monica Rutkowski
Sally House	

I. Call to Order

Mr. Robleto noted the presence of the quorum and called the meeting to order.

II. Antitrust Statement

Mr. Robleto directed the members to the antitrust statement.

III. Approval of Minutes: November 28, 2006, January 5, 19 & 26, 2007

Mr. Robleto asked if there were any corrections or additions to the November 28, 2006, January 5, 19 and 26, 2007 minutes. Mr. Warring noted that he was at the November 28, 2006 meeting. Mr. Warring moved approval of the minutes as amended and Mr. Snyder seconded the motion. The motion was approved.

IV. Monthly Financial Statements: October - December 2006

Mr. Bracher presented the October through December 2006 interim financials statements. He noted that there was no unusual activity on any of the statements and that the

statements were subject to audit at the end of the year. Mr. Bracher did point out the presence of certificates of deposit in the Claims and Special Purpose account on the Small Employer Balance Sheets. He noted that these deposits would be maturing in the near future. Mr. Snyder moved to have the October through December interim financial statements approved subject to audit. The motion was seconded by Mr. Wohlwend. The motion was approved.

V. Y-T-D Budget - Expense: December 2006

Mr. Bracher briefly reviewed the budget to actual comparison through December 2006. He noted that the primary category that was over budget was the Contract Services Management expense due to an increase in the Plan Manager's contract in July. Mr. Bracher noted the Special Purpose Fund expenditures which the board decided not to incorporate into the budget that was approved last December since it was in connection with the new duties of the board, the scope of which were unknown at the time. The Special Purpose Fund expenditures include advertising, board travel, staff travel and meeting expenses.

VI. 2007 Budget

Mr. Bracher briefly explained the proposed budget for 2007 and compared it to the actual expenditures as of December 31, 2006. Mr. Bracher briefly explained allocation of expenses between the various funds that was approved in December 2005 and outlined in an attached memorandum. Mr. Bracher noted that the meeting expenses related to Health Insurance Advisory function was now reflected in the proposed 2007 budget under the Special Purpose section. He also noted that the Administrator contract which terminated on March 31, 2006 expense was deleted from the 2007 proposed budget. Mr. Warring moved approval of the 2007 Budget. The motion was seconded by Ms. Kammer. The motion was approved.

VII. 2006 Final Assessment Actions

Mr. Bracher reviewed the Final Assessment action. He noted the auditor and legal counsel had previously formulated the language for the final assessment action. It was recommended that the Final Assessment action be for the 2005 and 2006 years.

In accordance with Section 627.6699(11)(j)1., "...the Board shall determine and report to the department the net loss for the previous year, including administrative expenses for that year, and the incurred losses for the year, taking into account investment income and other appropriate gains and losses." Further, subsection 2. states "Any net loss for the year shall be recouped by assessment of the carriers,..." Finally subsection 5. states "If assessments exceed the amount of the actual losses and administrative expenses of the program, the excess shall be held as interest and used by the board to offset future losses

or to reduce program premiums. As used in this paragraph, the term "future losses" includes reserves for incurred but not reported claims."

Therefore the following motions are suggested:

The Board notes that the Individual Program Administrative Assessment of \$15,000 approved in December 2005, and subsequently collected, was based on a proposed budget presented to the Board at that time and was not a final reporting of net losses. The Board has now determined that this assessment represented a final administrative assessment for 2005 and 2006. Further, the Board notes that funds remaining from this assessment will be used to offset future losses of the program.

The Board notes that the Small Employer Administrative Assessment of \$30,000 approved in December 2005, and subsequently collected, was based on a proposed budget presented to the Board at that time and was not a final reporting of net losses. The Board has now determined that this assessment represents a final administrative assessment for 2005 and 2006. Further, the Board notes that funds remaining from this assessment will be used to offset future losses of the program. Mr. Spring motioned to approve the 2005 and 2006 Final Assessment for the Small Employer and Individual Program. The motion was seconded by Mr. Snyder. The motion was approved.

VIII. 2007 Interim Assessment

Mr. Bracher presented the 2007 Interim Assessment motion for the small employer carriers in the amount of \$35,000 and the individual carriers in the amount of \$20,000. There was discussion by the board on the proposed motion. The Board decided to increase the small employer carrier assessment to \$40,000 and the individual carrier assessment to \$25,000 so that when another assessment was needed in 2008 the financial statements for 2007 would be available. Mr. Spring motioned that the 2007 Interim Assessment for small employer carriers be assessed \$40,000 based on an approved budget for administrative expenses and individual carriers be assessed \$25,000 based on an approved budget for administrative expenses. Mr. Wohlwend seconded the motion. The motion was approved.

IX. Selection of Auditor for 2006 Audit

Mr. Bracher recommended that the FHRP contract with Purvis Gray and Company for the 2006 audit. He noted that the firm proposes a fee not to exceed \$8,000 to perform the Small Employer Health Reinsurance Program audit and \$4,000 to perform the Individual Health Reinsurance Program audit. The firm performed the 2005 audit for a cost of \$6,500 and \$3,500. Mr. Bracher reported that the firm has audited the FHRP since 2000. He noted that he raised a question with OIR about a year ago related to the retention of auditors and he was told that NAIC guidelines do not limit the number of years a firm may audit an insurance company's books but do require a change in audit partner at least

every seven years. Mr. Bracher noted that the firm's partner for the FHRP audit was changed for the 2005 audit. A question was raised to find out what are the GAAP requirements for the change of auditors. Mr. Bracher would look into this and report back to the board. Mr. Spring moved that the FHRP engage Purvis Gray and Company for the 2006 audit. Mr. Warring seconded the motion and it was unanimously approved.

X. Review and Comment on 2007 OIR Legislative Proposals

Mr. Robleto reported that he did not have anything official to report on the 2007 OIR Legislative Proposals. He noted that he would report to the board at a later time.

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Conference Call:**

Mr. Robleto began discussion of the OIR legislative proposals for 2007. He discussed in detail the three proposed senate bills: SB2782, SB2710 and SB2708 with the board. Members reviewed and discussed these bills.

XI. 2007 Planning

There was no discussion of this item.

VIII. Other Business

Mr. Robleto asked if there was any other business to consider. Mr. Bracher reported that he was working with legal counsel to have the Florida Health Insurance Advisory Board registered with the state as a fictitious name, along with revising the Plan of Operations to include the Board.

IX. Adjourn

There being no further business the meeting was adjourned.

Kevin McCarty, Chairman

Date