

**LOCAL GOVERNMENT CENTER
BOARD OF DIRECTORS MEETING
Minutes of February 13, 2004**

EXECUTIVE SESSION

LOCAL GOVERNMENT CENTER BOARD OF DIRECTORS PRESENT: Keith R. Burke, Vice Chair, Superintendent, SAU #1, Peterborough; Robert A. Beauregard, Selectman, Swanzey; Laurent J. Biron, Business Manager, SAU #38, Monadnock; David R. Caron, Town Manager, Londonderry; Michael J. Cryans, County Commissioner, Grafton County; Peter J. Curro, Business Administrator, Londonderry School District; James Eich, Selectman, Stark; Carol M. Granfield, Town Manager, Meredith; Edmund F. Jansen, Jr., Selectman, Rollinsford; Leon S. Kenison, Sr., Selectman, Bow; Roderick MacDonald, Teacher, SAU #21, Winnacunnet School District; Stephen A. Moltenbrey, Police Officer, Windham; George N. Olson, Town Manager, Exeter; Timothy L. Ruehr, Business Administrator, SAU #29, Keene School District; Terrie B. Scott, School Board Member, Cornish School Board, Cornish; Dr. James H. Weiss, Superintendent, SAU #17, Kingston; Robert L. Wheeler, Selectman, Goffstown; April D. Whittaker, Town Manager, Enfield

STAFF PRESENT: John B. Andrews, Executive Director; Sandal R. Keeffe, Deputy Director and Chief Financial Officer; Wendy Lee Parker, Assistant Executive Director for Risk Services; Phillip N. Stewart, Jr., Claims Manager; Maura Carroll, Legal Counsel; Eleanor Baron, Communications and Member Services Manager; Donetta J. Haley, Director of Human Resources; Jon Steiner, Associate Executive Director for Member Relations Carolyn Hoeker, Executive Assistant

CONSULTANTS PRESENT: Robert J. Lloyd, Esquire, Corporate Counsel

Bob Wheeler's motion to enter into Executive Session at 2:00 p.m., seconded by Bob Beauregard, passed unanimously.

b. Marketing & Member Relations

Jon Steiner advised that he prepared a presentation for the Local Government Center Workers' Compensation renewal.

Jon Steiner noted, "PRIMEX³ has 446 members. Sixty-four saw increases of more than 25%, 274 saw increases of less than 10%, and 135 saw decreases. Keith Burke asked, "What was the range of the decreases?" Jon responded with, "I do not know." Jon continued with, "Even those who had large increases were in a multi-year plan; they would not opt out."

Jon Steiner gave a comparison of PRIMEX³ vs. Local Government Center (LGC) pricing as follows:

	PRIMEX³	LGC
Hanover	\$ 36,980	\$ 113,520
Londonderry	135,000	172,000

	PRIMEX³	LGC
Londonderry Schools	\$ 92,351	\$ 126,904
Sugar Hill	5,305	6,610

Jon Steiner addressed the January 1, 2004 renewal information. “We did not lose in the WC program; it is good. Should we work on it and build it? We have two new Members.” Bob Wheeler asked, “Is the marketing rush down?” Jon responded in the negative and added, “We want to put something together.”

John Andrews commented, “We have never been in a competition position like in the last five years.” Jon Steiner noted, “We are still talking to people who are dissatisfied, but they cannot move right now. When you look at their rates and ours, we are fairly close; it is the discounts that make all the difference.”

Jon Steiner reported that existing members are “happy with our plan.” Jon stated, “I think we need to still have the WC program; if we ‘shoot it down,’ we will look bad.”

Jon Steiner gave some history of PRIMEX³'s plan. “In 2000, PRIMEX³ was the only option. With the rollout of the LGC plan, they dropped rates 40% and have frozen rates since then, creating dramatic savings for all. We are costing PRIMEX³ a lot of money.”

Jon Steiner noted, “You charged us to develop a long-term plan. We are working on this. PRIMEX³ has now rolled out a health plan with Harvard Pilgrim. We think they have their first member. They are quoting for Harvard Pilgrim and have a network that is strong in the Seacoast area, Lebanon and southern New Hampshire.” Wendy Parker stated, “They have had health forums in the last two days, and we have had requests for experience.” Keith Burke commented that, “According to Tim Ruehr, they do not have an Indemnity plan.” Wendy responded that he is correct.

Jon Steiner advised that, “PRIMEX³'s long-term plan is now in action.” Jon noted the plan as follows:

- Package Property liability (PL), WC and Health
- Use WC “War Chest” to Undercut LGC – Jon stated, “If I worked for PRIMEX³, I would recommend they use their money to undercut us and go after schools; that is where the money is. They have had a plan for years and now it is coming to fruition. The LGC has a lot of money on hand.”
- Schools are their Strength
- Increase Cash Flow to match LGC
- Eliminate – “They could eliminate our program.”

Jon Steiner stated, “This is my report. I am not asking for anything today. However, I think we need to level the playing field. You need to think more competitively about them.” Keith Burke asked, “What do you mean by ‘keeping the playing field

level?" Jon responded that he is referring to package proposals. "They are taking their money from the WC program; they have 'deep pockets' and are going to use them."

Tim Ruehr addressed mingling funds. "The competition is becoming more severe. I think we have more to lose than gain. We have a lot of stock. I would feel comfortable if we had some strategy evaluation. We need information to set a logical course for the organization. We cannot afford to lose health to get WC." Jon Steiner stated, "There are two points there. What is their cash flow for WC? If we can compete with them on WC, then we have crippled their cash flow."

Jon Steiner noted, "Health is so big. To take 1% or 2% of that business is a lot. Maybe we need someone who has not worked with pools." Tim Ruehr stated, "We need a business assessment."

Bob Beauregard commented that Northern General is changing. Jon Steiner agreed and added, "I do not have all the information." Wendy Parker advised, "We are going to CCMSI next Friday for training." Larry Biron suggested, "A letter should go out stating that there is a different name. As long as they keep the same staff, we are happy."

Bob Beauregard stated, "I do not know where to go with this. I guess the idea I had about combining was that we would use all of our resources as a group to serve or service our schools to give the best product for the best price. I am concerned that we are contemplating taking WC out of the mix. I think we spent too much time to define ourselves from PRIMEX³; we should explain our gains." Jon Steiner offered, "That is an issue we are going to talk about again."

Dr. Weiss stated, "I want to go over the five points and get an update from when we last met. That is the critical piece. I want to know where we are."

Noted below are the five points referred to by Dr. Weiss.

1. Keep rates as they are in 2004
2. Market Workers' Compensation aggressively in 2004 to change the gross revenue of \$1 million
3. Develop a PLT/WC package-pricing program for July 1, 2004
4. Develop alternative packages for 2005 with HealthTrust
5. Authorize staff to use up to \$100,000 in PLT's Members' Balance to meet competitive situations

Jon Steiner noted that item #1 was being done. For item #2, Jon stated, "We did not get there."

Bob Wheeler emphasized, "I want to hear about the aggressive marketing." Jon Steiner advised, "We started with a mailing to everybody. We said rates are going up and we have a great program. We went to a lot of towns and cities. When Pam Fecteau and Tom Dunn went out, they offered to give quotes. They did not want to give up their multi-year program; no matter what our prices were, they would not move." Bob stated,

“I do not think that is aggressive marketing.” Jon responded with, “I could have spent \$100,000 and brought members in. No one gave us that \$100,000 to use. We would lose money if the program does not stay and we spend \$40,000 to bring them on board; we lose money on every new member. I made a decision that the ‘band aid’ was not the best decision. I did not see the urgency to get us to the \$1 million level because we would lose more money.” Dr. Weiss interjected with, “There was money to spend. Maybe we could have gotten some small groups. So, when we came back to the Board with four and five people we could say that we are moving in that direction. To stay stagnant for a whole year is not what I had in mind.”

John Andrews commented, “I think perhaps there was a perception that we would use \$100,000. It would have cost us \$110,000 to match PRIMEX³’s prices. It may be that we develop a package alternative that may envision doing that—i.e., provide WC coverage if they have other coverages with us. The conclusion was to just bring in Sugar Hill or Londonderry was not wise. We still could use that \$100,000 to bring in part-time people to talk to brokers, but I am not sure that immediately you want to talk about different underwriting of quotes.”

Bob Wheeler stated, “I want to focus on the discussion of the \$100,000 and get back into the conversation because it has been omitted at how close we are to the \$1 million. I think Phil Stewart said we were over \$900,000.” Sandal Keeffe offered, “It is \$834,000.” Bob continued with, “It seems to me that I can buy into the fact that it was not wise to be in Sugar Hill, but if we use aggressive marketing, I will live with these people and not go out and hire a consultant or favor purchase to marketing because it is not aggressive.”

Jon Steiner advised, “Just by getting to the \$1 million, does not mean we are in the ‘black.’ I thought it was not prudent if we are working with a long-term plan.”

Bob Wheeler stressed, “If the nine people on HealthTrust thought like you in the beginning, we would not be here today. We listened to Peter Riemer as he came in with the math. The group examined what he said showing something for the rates and got more members. You have to have the audacity to take that first step. You cannot be so cautious; you cannot have growth without risk. It worked here previously.” Jon responded, “You are the first one who called me cautious. I will come back with a plan that is aggressive.”

Dr. Weiss stated, “This should not have been the set of recommendations if people did not think it was correct. So far, two of the five steps have happened; I thought something would have happened. The next time, I will want a guarantee that it will get implemented. I am upset. Before we leave today, a meeting is being set for the Long-Range Planning Committee (LRPC).”

Tim Ruehr offered, “As someone who was skeptical of the plan in the first place, I share your sentiments. There was a group that said how can this work. Then it was said, it will work; let’s get out there.” Bob Wheeler stated, “That is an excuse and not a reason.” Tim continued with, “We are being told that the plan was not

realistic. How can we make a plan that is realistic.” Bob added, “I want to come to my next step saying I accomplished my next goal. That is not a complicated goal.”

Jon Steiner noted, “I thought if I came in here and said we got Hanover and had to spend money, you would have been upset.” John Andrews added, “We are still skeptical of what you tell us. We have a WC program, but it is in the ‘red.’ There were people who wanted to end it at the last meeting. We need to know that it is a clear and consistent message, and you need to go to the next meeting and tell the people who are not here today that we need support. We could have matched the plans in Londonderry and Londonderry schools; it would have cost us \$10,000+ out of the \$100,000. That could be a major issue. Not everyone is willing to accept that. It is just like we checked with you today on filling positions. We will do what you want us to do. If you want us to be aggressive, we will be. However, we need to know that it is alright to do so.”

Dave Caron stated, “This ‘rear view mirror stuff’ is interesting. Maybe there should have been a LRPC meeting. I do not think anyone can say ‘we spent \$100,000, but we will lose \$130,000;’ we would have said it was dumb. There probably should have been a meeting to look at Jon Steiner’s strategy as we did today.”

Carol Granfield commented, “I would say on this, as well as on the personnel question, that if questions have to wait a quarter and answers are needed now, contact whatever committee is giving the direction and meet with them. Then you have the confidence in going forth and will not get ‘jumped’ on.”

James Eich noted, “I guess when we talked about this, I thought Jon Steiner would identify a target—i.e., Quote all the facts and figures and see who they would go after. If they go after schools, we should go after towns. We did not know what it would cost. Now that we do, we have to give direction.”

Jon Steiner commented, “The ones that see the largest experience are the ones that cost us the most.”

Bob Wheeler stated, “I think what we are experiencing right now is the most natural thing to experience. We are a new Board; awkward moments will occur. We have to have a scheduled LRPC meeting for a comfort level to clearly identify problems. When we were small, there were comfort levels. It would be unfortunate if we do not recognize the discomfort level and get over it. We have to gain from this.”

Tim Ruehr offered, “Looking in the rear-view mirror, I agree. Every board and management have the same problem. I agree if you have more information, the plan may not look as good as it did at the meeting. I thought it was established that we are working to lose money, but it was going to get eaten up more quickly. I hope that we put into place a well established plan that has contingencies built in. We did not have that all worked out; we thought the

\$100,000 would do more.”

Jon Steiner indicated, “I thought we would get ten new members at \$10,000 apiece. I realized we were not going to get that. I agree with what Bob Wheeler said.”

Dr. Weiss referred to item #3—Develop a PLT/WC package-pricing program for July 1, 2004—and asked what the status of this was. Jon Steiner advised, “The Leadership Team is working on that now. It will then go to committee.” April Whittaker queried when that would be. Jon responded, “The timeline is tight; it may be a couple of months.” Dr. Weiss stated, “We are probably talking about April 1st.” Jon noted, “I think we need half of May and June.”

Dr. Weiss referred to item #4—Develop alternative packages for 2005 with HealthTrust—“First combine the two and then go to three.” Jon Steiner replied, “We now know that Harvard Pilgrim is out there marketing a plan.” John Andrews stated, “They are marketing our July groups that received large GMR’s. When Sandal Keeffe goes through the financials, probably the re-rating in April or May will be more favorable.” Tim Ruehr offered, “I think we will be under what PRIMEX³ is. What is next in our plan?” Dr. Weiss commented, “I think we still have the five points. We have to meet and see where we are going.” James Eich added, “We are on the same page, but we did not have any information.” Jon Steiner advised, “I will bring more information to that meeting.”

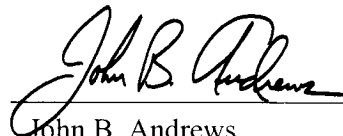
Bob Lloyd stated, “It was brought up that the Long-Range Planning Committee would be a resource. I think it should be taken to a vote.” Keith Burke commented, “I would like to have it as a regular agenda item. I do not think I want to have it unless it is on the agenda. I think it is something we need to work through. The Long-Range Planning Committee has taken an aggressive stand on it. The members here would look to the Long-Range Planning Committee for a recommendation, and we can look for support at the next meeting. I do not think anything formal is necessary.”

John Andrews noted, “I am apprehensive about keeping a quorum. It is important when we have infrequent meetings that everybody is here. There is more to this. There are legal services, etc. I want to have an appreciation for what everyone is doing. That is why we have staff reports.”

Dr. Weiss’s motion to exit from Executive Session at 2:30 p.m., seconded by Dave Caron, passed unanimously.

Respectfully submitted,

Carolyn Hoeker
Executive Assistant



John B. Andrews
Executive Director