

1 RESOLUTION 8

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3 ***CDA Bylaws/Rules Revisions: Elimination of the Council on Insurance/Establishment of 1201 Advisory***
4 ***Committee***

5
6 Board of Trustees

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8 Current Policy: The Council on Insurance (COI) is established in the *CDA Bylaws* as a council of the association. The
9 current mission statement for COI reads: “The responsibilities of the Council on Insurance are to review, monitor and
10 evaluate insurance programs to serve the needs of California Dental Association members. The primary goal of the
11 council is to provide a meaningful membership benefit through its selection of insurance plan offerings and assurance
12 that a superior level of service will be provided to CDA plan participants through 1201 Financial & Insurance Services,
13 Inc. (1201).”

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15 Background: The 1997 CDA House of Delegates considered a proposal to eliminate the COI as a standing council of
16 CDA. The proposal recommended reassigning all the duties and responsibilities of the council to The Dentists Company
17 Insurance Services (TDCIS), the broker/administrator of all CDA-sponsored insurance programs at that time. The house
18 referred this matter for study to an ad hoc committee to “review issues related to the mission and purpose of the Council
19 on Insurance, identify any redundancies of functions performed by COI and TDCIS, and offer recommendations on how
20 to maintain CDA’s commitment to membership-driven insurance services while minimizing duplication.”

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22 Resolution #6RC-1997-H established a house committee and identified several key members to serve on the committee.
23 The ad hoc committee met on April 8, 1998 and August 5, 1998 for the purpose of conducting its review and analysis,
24 and to develop specific recommendations for consideration by first the Board of Trustees and then the 1998 House of
25 Delegates.

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27 At the 1998 House of Delegates, after being thoroughly discussed in reference committee, Resolutions 15, 16 and 17,
28 which would have streamlined the CDA-sponsored insurance program review process, were defeated. The proposal
29 recommended implementation on a trial basis, with review and final recommendation following a two-year period.

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31 During the August 2003 TDIC/1201 Organizational Study, which was performed by PricewaterhouseCoopers, LLC, the
32 role of COI in the evaluation of insurance programs was discussed. As part of that process, CDA members were
33 interviewed and the results were shared with the task force. One area of discussion was a perceived lack of
34 understanding among CDA members of the distinction between 1201 and COI, and of the criteria used to evaluate
35 insurance programs. There was also a general sense that opportunities exist to enhance the representation of members’
36 needs and opinions in the decision-making process.

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38 It was discussed further at the January 2004 Leadership Retreat that a task force be developed to again review issues
39 related to the mission and purpose of the Council on Insurance, and to identify any redundancies of functions performed
40 by COI and 1201 Financial and Insurance Services, Inc.

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42 Issues addressed included:

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- 45 • Potential efficiencies gained by consolidating decision making within a single entity.
 - 46 • Creating opportunities for leadership development with a possible progression from subcommittee member to
47 TDIC/1201 board member.
 - 48 • Maintaining an arms-length relationship between CDA and the subsidiaries.
 - 49 • Enhancing membership input and market research capabilities to support the decision making process.

50 The following individuals were appointed to the task force:

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52 Dennis Hobby, D.D.S. (Chairman)
53 David Gaynor, D.D.S.
54 Dennis De Tomasi, D.D.S.
55 William Marble, D.D.S.
56 Thomas Stewart, D.D.S.
57 Joseph Sciarra, D.D.S.
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59 The task force met initially on May 5, 2004 to review these issues and develop preliminary options for consideration. At
60 the May 5, 2004 meeting, the following several options for the future of COI were identified for further development.
61 An analysis of those options was presented at the June 30, 2004 meeting of the task force. The options are presented

62 below, along with summary discussion from the June 30, 2004 meeting:

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64 **Option 1: No Changes**

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66 The viewpoint of the task force is that the current COI structure separates the evaluation process from the entity
67 (1201) that is responsible for bringing insurance products and services to the members. This process introduces
68 unnecessary communication challenges and creates a cumbersome governance process that limits our ability to
69 respond to market opportunities in a timely manner. This option was ruled out at the initial meeting and
70 confirmed during the discussion.

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72 **Option 2: Create a Subcommittee of the 1201 Sales Committee**

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74 The Sales Committee of the 1201 Board has the responsibility for oversight of the activities of 1201 in the areas
75 of sales and service. This includes reviewing recommendations and opportunities for product development, as
76 well as ongoing performance of individual product lines. This function is not significantly different than that of
77 COI, although the business aspects of product line financial performance and sales targets are reviewed here as
78 well.

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80 A subcommittee of the Sales Committee could be added, with members of that subcommittee coming from
81 outside the board of directors that would consult with the sales committee to represent the concerns and
82 viewpoints of the membership at large with respect to decisions on 1201's product offerings and service.

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84 The task force felt that, although this is a better placement for the product review oversight function, creating a
85 subcommittee of a committee of the board would not be the most effective structure.

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87 **Option 3: Create a New Committee of the 1201 Board**

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89 A separate committee of the 1201 board could be created to focus on the insurance products offered by 1201 to
90 ensure that there is continued value to the association membership and that plan participants continue to receive
91 quality service. As a separate committee of the board, this group would report their activities and
92 recommendations to the full board independent of the discussions of the Sales Committee.

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94 The task force felt that although the structure seems appropriate, this option would increase the burden on board
95 members who, in general, already serve on multiple committees that meet the day before each board meeting.
96 There was concern that this would spread the board too thinly and reduce the effectiveness of the board and
97 committee structure.

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99 **Option 4: Assign the Duties to the Full Board of Directors**

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101 Responsibility for ensuring that an appropriate focus is placed on the needs of the association membership could
102 be placed with the full board of directors. The concern here is that the required work is too detailed and
103 requires a significant time commitment that would reduce the effectiveness of the board.

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105 **Financial Impact:** The proposed 2005 association operating budget includes \$165,682 for expenses related to the COI. If
106 this report and its recommendations are accepted, this amount would be eliminated from the 2005 budget. 1201
107 expenditures in 2005 would likely be increased by a similar amount.

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109 **Discussion:** After reviewing these options, the task force concluded that an option combining elements of Option 2 and
110 Option 3 would be the most effective structure. The recommendation is to create an advisory committee to the 1201
111 board that would consist primarily of individuals coming from outside the 1201 Board of Directors. This committee,
112 tentatively named the Product Evaluation Committee, would serve as an advisory group to the board of directors and the
113 committees of the board. This committee would meet on the day prior to the 1201 board meetings, as is the current
114 practice with other 1201 committees.

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116 The recommendation is to have a committee of five (5) individuals, with one representative coming from the 1201 board
117 and the remaining four being CDA members from outside the 1201 board. Appointments to the Product Evaluation
118 Committee, including designation of the committee chair, would be made by the chair of the 1201 board on an annual
119 basis. The chair of the Product Evaluation Committee would be selected from the four members outside the 1201 board
120 and would be invited to attend the 1201 board meetings as a guest with no voting privileges. The maximum number of
121 consecutive years that an individual could serve on this committee would be six (6).

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Because the committee would have individuals who are not directors of 1201, there would be no delegation of authority by the 1201 board to this committee. Rather, the Product Evaluation Committee would advise and consult with the 1201 board, including other 1201 committees.

The task force feels that this structure brings increased efficiency and would greatly improve communication in the product evaluation and review process. This will translate into a more effective and responsive approach to meeting the needs of CDA members. This committee will also serve to promote leadership development and should create a pool of individuals that would be likely future candidates for positions on the TDIC/1201 mirror board.

At its August 2004 meeting, the Board of Trustees adopted Resolution #80-2004-B, amending its resolution to add language calling for the development of the 1201 advisory committee. The board recommends House of Delegates approval of the following resolution:

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