

# ST. LOUIS AREA INSURANCE TRUST

*A Self-Insurance Pool*

## ST. LOUIS AREA INSURANCE TRUST BOARD OF DIRECTORS' MEETING

### MINUTES

February 7, 2019

- I. A meeting of the Board of Directors of the St. Louis Area Insurance Trust was held on Thursday, February 7, 2019, at **Maplewood Fire Department Headquarters, 7601 Manchester Road, Maplewood, MO 63143**. The meeting was called to order at 10:00 a.m. by Chairperson, Craig Owens.

Attendance was as follows:

<u>Board Member</u>	<u>Attending</u>	<u>City</u>
Bola Akande	Y	City of Brentwood
Marty Corcoran	Y*	City of Maplewood
Amy Hamilton	Y	City of Richmond Heights
Doug Harms	Y	City of Des Peres
Barbara Sondag	Y	City of Olivette
Craig Owens	Y	City of Clayton
Mark Perkins	Y	City of Creve Coeur
Robert Shelton	Y*	City of Town & Country
Dave Watson	Y	City of Maryland Heights
Matt Conley	Y	City of St. Ann
Steve Wylie	N	City of Webster Groves
Matt Zimmerman	Y	City of Hazelwood
Steve Wicker	Y	The Daniel & Henry Company
Becky Redfering	Y	The Daniel & Henry Company
George Liyeos	Y	The Daniel & Henry Company

\* Left at 11:00 A.M.

### II. Approval of Minutes from February 7, 2019 Meeting

Craig Owens asked for any additions or corrections to the Minutes from the February 7, 2019 Board Meeting. There being none, a motion was made by Matt Conley and seconded by Marty Corcoran to approve both the open and closed session Minutes as presented. The motion passed.

Steve Wicker asked for additional direction relative to the closed session minutes. After some discussion, it was noted that the closed session minutes should be marked Confidential and that they may not be released except by vote of the Board of Directors. It was also noted that these minutes should not include discussion(s). They should only state that the Board met in closed

session, the reason for the closed session and record a vote, if one is taken. Craig Owens also directed that closed session minutes not be mailed to the Board of Directors, but be presented to the Board at its next meeting for review and approval.

III. Proposed Settlement of Fee Dispute with Pitzer Snodgrass

Steve Wicker reported that the fee dispute with Pitzer Snodgrass relative to the Fant claim against the City of Ferguson has been settled within the parameters outlined by the Board at its last meeting. Mr. Wicker added, that unless there were an objection, Pitzer Snodgrass would continue to work on claims that it is currently assigned and noted that a final settlement document will be worked out by Portia Keyser and representatives for Pitzer. Doug Harms made a motion approving the final settlement, seconded by Mark Perkins. The motion passed.

IV. Committee of the Whole – Risk Management Review Discussion

Craig Owens stated that as a result of the Charlesworth Consulting Report and the presentation of that document at the Board's last meeting, this meeting was called to further discuss some of the issues raised by Charlesworth and to receive input from The Daniel and Henry Company relative to these issues. Mr. Owens then asked Steve Wicker to review the document that he had prepared concerning the Report.

Steve Wicker stated that his risk management review addresses several issues raised in the Report, plus a few other items, for a total of ten topics.

The first item that Steve Wicker reviewed was the financial condition of the Trust. He noted that the Report stated, "the Trust appears very functional and financially stable even with a very few recent rocky claim years." Mr. Wicker stated that the rockiest claim years are the 14-15 Liability results and 16-17 Workers' Compensation results. He added that from a surplus standpoint, these results are offset by the surplus that has been created by operation of the Health Plan. He noted that there is a lot of uncertainty in all of these numbers since they include incurred but not reported claims cost as set by the actuary on an annual basis. Mr. Wicker also noted that cash flow for the Trust is not a problem. The Board briefly discussed whether Health Surplus should continue to be distributed as it has for the past several years and the consensus was that the decision should be made when renewal rates are known. It was also noted that should there be a need for an assessment, it would be done on a policy year basis. Thus, the best approach is to wait for final results in any particular policy year so a definite amount would be known for any additional revenue that might be required.

Steve Wicker then reviewed the insurance related items addressed in the Report. An overview of the Workers' Compensation system was provided and Mr. Wicker reported to the Board that their current claims handling company, Thomas McGee Group, follows the industry's Best Practices. He noted that the Risk Management Information System is state of the art and that SLAIT benefits from a regional medical network that discounts nearly all medical services. Dave Watson asked if the Trust knows the current breakout of medical vs. indemnity costs. Steve Wicker stated that he had not looked at those numbers recently, but that he would do so. He believes that medical has

become a much higher portion of the total Workers' Compensation cost, compared to 20 years ago.

Related to Workers' Compensation, Steve Wicker noted that the Charlesworth Report recommended a close relationship between Claims Administration and Loss Control. Mr. Wicker stated that he agrees with that assessment and that Daniel & Henry and Thomas McGee Group have been discussing how to use claims data to aid loss control services. Craig Owens noted that relative to Police and Fire, comparisons with regional and national benchmarks should be possible. It was also pointed out by several Board members that claims data is backwards looking while some of the risk management issues faced by the Trust need to be more forward looking. This is where national trends and other big picture looks at municipal risk would be appropriate.

The next insurance item discussed was fully insured programs. The Charlesworth Report had indicated that these coverages should perhaps be looked at on a purchasing group basis with preferred underwriting and pricing. Steve Wicker stated that the consultant's recommendation is essentially what currently happens, The Daniel & Henry Company uses the size of the group and the fact that most Trust members purchase from the Chubb program to keep rates low and provide each member with the coverage package it desires. In response to a question from Dave Watson, Steve Wicker noted that the fully insured coverages, are marketed on a group basis to get the benefit of the size of the entire group, but rates also take into account the individual experience of each member. In other words, a city with no Public Officials claims over the past five years would have a lower rate and perhaps a lower deductible than a member that had several claims and significant paid losses.

Mark Perkins asked how the Board might consider self-insuring Property, in other words, what would be the process that would allow the Board to determine whether a fully insured or self-insured program was best for the Trust. Steve Wicker reminded that Board that it had started such a study in the summer of 2014, but abandoned the project when events caused a focus on liability issues. After a general discussion of the concept, it was decided that self-insuring property should be investigated and this would be at least an eighteen month project.

The fully insured Public Officials program was discussed briefly. Doug Harms reminded the Board that originally Public Officials coverage was kept in the fully insured market as it was believed that it would be difficult to loss control for these types of losses and that different political climates in member cities should not impact other members. It was the consensus of the Board that this coverage should remain fully insured.

Steve Wicker stated that the Report indicated that the Workers' Compensation reinsurance pricing might not be as competitive as it should be and suggested having the TPA confirm pricing competitiveness. Relative to liability reinsurance, the Report stated that pricing was good and the fact that a two-year rate guarantee was included was very positive. Mr. Wicker noted that the consultants had not asked for an explanation for the excess comp pricing and reminded the Board that two workers' compensation claims that occurred during the 16-17 policy year are anticipated to cost the excess carrier approximately \$5.5 Million. In fact, SLAIT's pricing is competitive taking all factors into account. Mr. Wicker also noted that he had discussed the pricing with John Charpie from Thomas McGee. Mr. Charpie indicated that some of the excellent pricing that the

consultant was referring to was probably for Kansas risks that Thomas McGee writes since the Kansas Workers' Compensation law is not nearly as generous as Missouri's and reinsurance pricing reflects that fact.

A brief discussion was also held concerning the topics of growth of the Trust and introducing larger deductibles as a way to incentivize members to take on more risk. It was noted that both of these topics have been discussed previously by the Board. It was also noted that there is not much the Trust can do relative to expanding unless it changes its underwriting guidelines and it was mentioned that perhaps the Trust should consider contraction based on much worse than expected losses by some members.

Next, the Health Plan was discussed. Steve Wicker stated that rates were discussed fairly thoroughly at the last meeting and that any change in the rating system would be a long term project requiring expert assistance. He added that the Charlesworth Report had talked about offering ancillary benefits on a group basis and Mr. Wicker stated that Mike Hanson had prepared a document describing the efforts he and the SLAIT Wellness Coordinators have made relative to this topic. It was noted that the cost savings relative to these programs would not be significant. It was also noted that for one benefit, dental coverage, almost all of the membership uses Delta Dental which makes it very difficult to negotiate better terms. Doug Harms and Amy Hamilton both pointed out that it might be convenient from an administrative viewpoint to have the Trust offer ancillary benefits so that each member would not have to market the coverages.

Relative to miscellaneous items mentioned in the Report, Steve Wicker noted that development of a website appears to be a high priority. He stated that he has received a quote from a company that works with Thomas McGee in Kansas City for a cost not to exceed \$5,000. Mr. Wicker noted that the site will have some generalized information and then more specific information will be accessed by members via password. A motion was made by Doug Harms and seconded by Amy Hamilton to approve \$5,000 to develop a SLAIT website in association with Diffactory, LLC. The motion passed.

Finally, Steve Wicker stated that one of the items emphasized by Bob Charlesworth at the Board's last meeting is that Mr. Wicker needs to provide a succession plan to the Trust. Relative to this point, Mr. Wicker stated that he believes that Thomas McGee Group, and particularly John Charpie, can be very helpful in bringing the claims administration piece together with overall administration of the Trust. Mr. Wicker added that this is a concept that should be explored. Mr. Wicker also noted that the Report indicates that the Board needs to decide how important the City Manager/Administrator influence is to the Trust. He noted that if it is deemed important, Daniel & Henry has George Liyeos on staff and George provides that emphasis. From a personal standpoint, Mr. Wicker indicated that he was working on a part-time basis, but the only account he services is SLAIT. He noted that he would continue to do so for an undetermined period of time.

Doug Harms stated that he was a little disappointed in the consultant's Report in the sense that he was hoping to have some discussion of whether the Broker/Administrator model that the Trust currently operates under is still appropriate or whether the Trust should take a look at operating like MIRMA, which has its own staff, and hires a broker for insurance related issues. Mr. Harms added that while this is a big picture issue that the Trust should probably consider, he noted that

now might not be the time for such a review since Better Together has proposed a new governmental structure for the St. Louis area that will be voted on in a year and a half and if passed, the proposal would effectively put most SLAIT members out of business. Craig Owens stated that when the Trust started this review process, he believed that it might lead to major changes. However, he noted that the Report pretty much validated SLAIT's past thirty plus years, and combining that fact with the uncertainty that the Better Together proposal brings, makes him believe the appropriate response at this time is to keep doing what the Trust has been doing. After some additional discussion, Doug Harms stated what he would like from Daniel & Henry is a plan as to how Daniel & Henry would address the work of the Trust if Steve Wicker was not able to work on it as much as he currently does. Mr. Wicker stated that he would provide such a plan.

It was then noted that the next meeting needed to be scheduled. It was scheduled for 10:00 a.m. on Thursday, April 4, 2019 at the Maplewood Fire Department Headquarters.

There being no other business, the meeting adjourned at 11:55 a.m.

Submitted by:            Stephen D. Wicker

Approved by:            \_\_\_\_\_