

ST. LOUIS AREA INSURANCE TRUST

A Self-Insurance Pool

ST. LOUIS AREA INSURANCE TRUST BOARD OF DIRECTORS' MEETING

MINUTES

January 3, 2019

- I. A meeting of the Board of Directors of the St. Louis Area Insurance Trust was held on Thursday, January 3, 2019, at **Maplewood Fire Department Headquarters, 7601 Manchester Road, Maplewood, MO 63143**. The meeting was called to order at 9:35 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 and Henry Company |
| Becky Redfering | Y | The Daniel and Henry Company |
| Ashley Kinsella | Y | The Daniel and Henry Company |
| Dave Winters | Y | The Daniel and Henry Company |
| Mike Hanson | Y | The Daniel and Henry Company |
| George Liyeos | Y | The Daniel and Henry Company |
| Portia Kayser | Y | Fisher Patterson Sayler & Smith LLP |
| John Charpie | Y | Thomas McGee Group |
| Ben Fuchs | Y | Thomas McGee Group |
| Bob Charlesworth | Y | Charlesworth Consulting |

*Arrived at 10:30 a.m.

II. Approval of Minutes from September 20, 2018 Meeting and October 4, 2018 Meetings

Craig Owens asked for any additions or corrections to the Minutes from the September 20, 2018 Board Meeting. There being none, a motion was made by Matt Conley and seconded by Barb Sondag to approve the Minutes as presented. The motion passed.

Craig Owens then asked for any additions or corrections to the Minutes from the October 4, 2018 Board Meeting. There being none, a motion was made by Matt Conley and seconded by Barb Sondag to approve the Minutes as presented. The motion passed.

III. Claims Administration Report

Steve Wicker summarized the updated Workers' Compensation Report. He noted that the Report contains 49 claims, up from 48 last quarter. Eight new claims were added to the Report with a total incurred value of approximately \$965,000. Six of the claims being reported are settled and closed.

A motion was made by Marty Corcoran and seconded by Amy Hamilton to enter into a closed session for purposes of consulting with legal counsel. The vote on the motion was as follows: Akanda, Aye; Watson, Aye; Corcoran, Aye; Owens, Aye; Zimmerman, Aye; Hamilton, Aye; Conley, Aye; Shelton, Aye; Perkins, Aye; and Sondag, Aye. Doug Harms had not yet arrived at the meeting.

IV. Financial Report

A. Review of Financial Statement as of September 30, 2018

Steve Wicker briefly reviewed the Financial Statement as of September 30, 2018. He noted that the current fund balance is approximately \$4.6 million, down approximately \$300,000 from the last quarter of the 2017-2018 policy year. The decrease is a result of the \$1 million distribution of Health Surplus made during the quarter, mostly offset by positive results in the current policy year.

B. Approval of Bills

A revised Invoices for Approval listing was distributed. A motion was made by Marty Corcoran and seconded by Bob Shelton to approve the invoices as presented. The motion passed.

C. Review of Financial Audit for Year Ended June 30, 2018

Steve Wicker briefly reviewed the Financial Audit of the Trust as of June 30, 2018. First, Mr. Wicker noted that the auditors were providing an unqualified opinion on SLAIT's year-end Financial Statement. Similar to prior years, one change to the Balance Sheet as a result of the audit was to include the results from the payroll audits. Mr. Wicker also noted the changes in Fund Balance on Page 6, which summarizes the negative financial results the Trust has experienced over the past two years. In total, Fund Balance has decreased from approximately

\$12.1 million to approximately \$3.8 million. Finally, Mr. Wicker reported that the \$2.5 million in dispute between the Trust, two excess carriers and the Trust's former claims administrator is still being treated as a receivable and is discussed in Note 12 on Pages 15 and 16 of the Audit.

V. Loss Control Report

Dave Winters provided the quarterly Loss Control Report, stating that he had spent considerable time with member safety committees, attending meetings in the cities of Ballwin, Chesterfield, Maplewood, Brentwood and Richmond Heights, plus contacting and working with cities with worse than expected loss results. He also provided a driver training program for new SLAIT snow plow operators and one for police personnel in University City. In addition, University City is committed to a new safety program and Mr. Winters is assisting in developing it.

Dave Winters then called attention to a memo he had drafted regarding a video streaming training service primarily for Public Works and Parks personnel that he is recommending SLAIT subscribe to at a cost of \$3,695 for one year. He noted that the service currently has 696 titles and adds to them frequently. Mr. Winters added that he did a two week trial with Public Works personnel in October, 2018 and received very positive feedback. After a brief discussion, a motion was made by Marty Corcoran and seconded by Mark Perkins to subscribe to Training Network for a period of one year at a cost of \$3,695. The motion passed.

VI. Health Plan Report

A. Plan Status as of November 30, 2018

Steve Wicker reported that as of 11/30/2018, the 2018-2019 policy year claims are just under \$9 million or approximately 96% of expected. He added that if this trend continues, surplus for the year will be approximately \$1.5 million and can be taken into account when determining rate increases for the 2019 – 2020 policy year.

B. Report on Wellness Activities

Mike Hanson reported that the Wellness Coordinators last quarterly meeting was held in October, 2018. Mr. Hanson noted that a campaign to increase employee registration to Live Health On-line will be implemented this calendar year. He stated that the idea is to use virtual medicine when appropriate by contacting a physician on-line, thereby reducing the number of visits to the emergency room or urgent care center. He noted that only about two hundred members currently are registered for the program, so we are looking into lowering or eliminating the co-pay for using this service. Mr. Hanson also reported that a second session of the Naturally Slim weight loss program has begun, but enrollment was disappointing, at less than half of the first session. Thus, the Coordinators recommended making the program available twice a year and looking into possible incentives that could be offered for participation. Finally, he noted H & H is providing the every other year biometric screenings to member cities and over 600 individuals have been screened so far.

Finally, Mike Hanson reported that CastiaRx, which provides pharmacy benefit services to the Trust since its purchase of LDI approximately one year ago, is having more than an acceptable number of customer service problems. In response to a question from Marty Corcoran, Mr. Hanson noted that CastiaRx has been informed of the issues and that other vendors will be looked at for the 2019-2020 policy year. Finally, in response to a question from Dave Watson, it was noted that H & H has provided flu shot clinics for several member cities that get paid through Anthem, just like any other covered procedure.

C. Discussion 2019-2020 Rates

Steve Wicker reminded the Board that for the last few years there has been a SLAIT Rate Committee relative to health insurance and stated that he is recommending using the same process this year with a Committee meeting being held sometime in March, and a rate proposal being presented to the Board at its April meeting. Mr. Wicker added that he does not foresee recommending any significant change to the process employed over the past several years in which 31 months of loss history is used to divide members into three groups with a large portion of the membership receiving the same rate adjustment.

Dave Watson stated that wanted to go on record as being strongly opposed to the rating system currently being used by the Trust. He stated that he believed the Trust should move to more standardized rates and be able to offer different options to the employees of member cities. Craig Owens asked Mr. Watson to expand upon his thoughts and Mr. Watson stated that he believes the Trust should take new employees for all members and put them in a separate plan with its own rates, thus slowly moving to a Health Coverage System where it didn't matter if an employee was working for the City of Maryland Heights or the City of Hazelwood, for example. Mark Perkins stated that he does find it a little odd that the Trust is essentially basing Member's rates on rates they had approximately 10 years ago. Then he added that while having more standardized rates has been talked about, how to get there is the problem. Steve Wicker noted that there are advantages to each member having its own rates and to its rate increases being based, to some extent, on its own experience, while still receiving the advantages of being in a larger group. He noted that when a city like the City of Chesterfield has had extraordinarily good experience, it is helpful to tell them that their increase is slightly lower than the average rate increase for all SLAIT member cities. Dave Watson stated that there are too many small sample sizes being used for rates and added that one of the problems with the current system is that a member with a generous plan is unable to develop a strategy for evolving to a less generous plan by offering multiple options to its employees.

Marty Corcoran stated that one of the problems he sees with such a system is that members would ultimately have all of their older employees in the group identified with the city name, leading to those rates becoming prohibitive. Craig Owens stated that it is always been his thought that there are health claims costs that can be controlled and others that cannot be. Thus, a system that rewarded members for doing everything they could relative to the controllable causes would be the best system. Mr. Owens added that he thought this was a discussion worth having and that perhaps a committee needs to be formed to look at possible options that would evolve the program from where it is currently. Doug Harms stated that we do need to remember that the history relative to the failure of Health pools, is that blending rates and treating all members the same often leads to

their demise. He added that perhaps a base rate could be developed for the entire Trust and debits or credits applied to that base rate on an annual basis. Dave Watson noted that two differences that SLAIT would have compared to some of the prior statewide health groups that disbanded, are that SLAIT can control who joins the plan and there has been some equity built by members that can be leveraged to keep them in the plan.

After some additional discussion, it was determined these larger issues would not be dealt with by the 2019-2020 Rate Committee, but would take a different committee and a longer time to study. A Committee of Marty Corcoran, Matt Conley and Barbara Sondag was then appointed to deal with rates for the next policy year.

VII. New Business

A. Vacancy on Board of Directors

Craig Owens noted that with Mark Perkins no longer leaving the City of Creve Coeur, there is not a vacancy on the Board of Directors at this time.

B. Risk Management Review

Craig Owens introduced Bob Charlesworth, Vice President with Charlesworth Consulting Group. He stated that Mr. Charlesworth is present at the meeting today to review the Risk Management Review prepared in October, 2018 by he and James Charlesworth, President of Charlesworth Consulting Group. The report is a review of the SLAIT Program, since its inception, and also provides thoughts on some areas for future consideration. Mr. Owens noted that he feels the Board and Daniel and Henry should be proud of the Review as it concluded that the plan has benefited from the oversight of the Daniel and Henry Company and is properly positioned to provide Risk Management Services to its Members into the future. Finally, Mr. Owens thanked the committee of Barb Sondag, Bola Akande and Bob Shelton for their work in helping to get to this point in the review process.

Bob Charlesworth then introduced himself and stated the Charlesworth Consulting Group is a subsidiary of Holmes Murphy, an independent, full-service insurance brokerage company headquartered in the State of Iowa. Mr. Charlesworth noted that the consulting group does not do any insurance brokerage work and that Holmes Murphy would not be involved with any clients of the consulting group.

Bob Charlesworth then began summarizing his impressions of SLAIT. He noted that first thing that is obvious as you review the program, is that there exists a City Manager/Administrator component that was present at the inception of the program and continues to this day. Mr. Charlesworth stated that since the Board had just finished discussing the Health Plan, he would start there with some of his comments. He indicated that the Health Plan has to be viewed as a success and noted that the 32 month loss ratio used for rate changes was something that he does not see often and that he feels is better for a group of this nature than the standard twelve months of losses commonly used in health underwriting. He also noted that the history provided by SALIT to the membership regarding plan changes and rate adjustments over the past ten years is far superior to almost anything he has seen elsewhere. He added that the previous discussion did

raise the issue of whether there can be base rates created for this type of plan with credits and debits based on factors chosen by the Board of Directors. He noted that this is an item for future consideration as is the idea of multiple plans being available to the members. He noted that high deductible plans are becoming more popular and there are many reasons why an individual might choose one. Finally, he stated that he did not believe that placing employees in one large group is the way to go and added that the types of issues that the Board had been discussing are the kind of thing that will take at least a year to thoroughly review.

Turning to the Administration of the Trust, Mr. Charlesworth noted that the administration is divided into three parts: Administration, Loss Control and Brokerage Services. He stated that he believes this is an effective way to approach the Trust's Risk Management. He noted that the hours and money spent on Loss Control are perhaps fewer than they should be and indicated that this is an area that the Trust should review. Relative to brokerage services, he noted that the Trust benefits from synergy between the Property, Public Officials and Automobile Physical Damage programs. However, he added that perhaps more coordination could be accomplished with an agreement that all these coverages would be run through SLAIT. He added that a lot of ancillary coverages such as Crime, Fiduciary and Cyber Liability could also be part of such a cooperative agreement.

Bob Charlesworth then discussed the rating system for SLAIT. He noted that it is relatively simple since it is based on payroll and added that, from his viewpoint, an underwriting checklist needs to be performed every year by the Trust to make sure that no exposures are being overlooked. He pointed out that the number of police officers and vehicles should be tracked and that it should be determined on an annual basis that no Member has exposures for which the Trust does not provide coverage. Mr. Charlesworth also noted that from a rate perspective, SLAIT might want to look at offering Members the opportunity to retain additional risk retention on their own with the idea being that there would be a reduction in premium from doing so.

Bob Charlesworth also commented on a couple of miscellaneous items in the Report. He noticed that the stop-loss coverage for Workers' Compensation seemed to be priced on the high side and stated that the Trust's new Third Party Administrator places quite a bit of this insurance and added that perhaps the Board should have them review the current coverage and pricing to ensure that it is the best available. Also, relative to Thomas McGee, Mr. Charlesworth noted that there needs to be a close relationship between Loss Control and Claims Administration as much of the loss control needs to proceed from an analysis of the claims data. Bob Shelton asked if the fees the Trust are paying to Daniel and Henry seem appropriate and if they were compared to other Trusts with which Mr. Charlesworth is familiar. Bob Charlesworth stated that the fees seem reasonable and noted that the breakout seems to put a lot more of the fee into Administration of the Trust than Loss Control services relative to other fee arrangements that he has seen. He added that the service received by SLAIT from Daniel and Henry is enormous, but that one thing the review identified is that Steve Wicker is responsible for nearly all of the Administration and needs to provide a succession plan to the Trust. He added that the compensation of Daniel and Henry that comes from the Trust is probably being subsidized by some of the compensation that the company earns from brokerage services to individual members. Steve Wicker added that the fee was originally set in 1989 and added that Mr. Charlesworth's observations are correct that more of the fee would be assigned to the administration of the Trust if it were properly allocated between loss control and

administration, but from the Daniel and Henry standpoint the total fee for the work performed is what is critical.

Bob Shelton asked if Mr. Charlesworth had any suggestions relative to SLAIT's Workers' Compensation program as the recent experience has been poor. Bob Charlesworth stated that he did not actually review the Workers' Compensation program itself, but noted that any program should have a Third Party Administrator that gets adequate medical discounts and that does an effective job of administering claims. He added that his experience with Thomas McGee Group is that they do a good job in this regard.

Doug Harms stated that when the Board started this process, it was his understanding that the Board was trying to determine if the current structure of using a brokerage firm as the administrator was the way to go or if a staff model such as MIRMA should perhaps be adopted. Mr. Harms added that he also believes that part of what SLAIT needs to do is get a buy-in from the Membership that SLAIT is more than the way they purchase insurance, since it is a partnership of its members focused on Risk Management. Bob Charlesworth added that part of such a buy-in should include SLAIT being able to provide a short tutorial relative to how the Trust operates, that would be available to new staff and the elected officials of the member cities. Dave Watson asked for Mr. Charlesworth's opinion concerning growth or perhaps even contraction of the Trust. Mr. Charlesworth stated that growth is not always good and noted that from an insurance standpoint the main benefit of growth is more predictability. He added that based on his review, he believes that the Trust would have to change its philosophy relative to City Manager cities in the St. Louis area to enable it to grow.

Craig Owens thanked Bob Charlesworth for his presentation, and a brief discussion followed among Board Members relative to where the Trust should go from this point forward. Steve Wicker stated that he wants the Board to be aware that if they do go out with an RFP for Administration, Loss Control and Brokerage services, it probably should not be done prior to July 1st since Daniel and Henry has already begun the work necessary on the July 1, 2019 renewal. Mr. Wicker added that if this is the direction the Board takes, the proposal should probably be taken with a timeline of choosing the service provider prior to January 1, 2020. He noted that Daniel and Henry would definitely be making a proposal should that be the direction the Board takes.

After additional discussion, it was the consensus of the Board that the Board should meet as a Committee of the Whole relative to the Risk Management review recommendations, with the goal of prioritizing the recommendations to ensure that future activity would focus on the Board's priorities. A SLAIT Board Meeting was then scheduled for 10:00 a.m. on Thursday, February 7, 2019 at the Maplewood Fire Department Headquarters to begin that process.

There being no other business, the meeting adjourned at 12:05 p.m.

Submitted by: Stephen D. Wicker

Approved by: _____