**ST. LOUIS AREA INSURANCE TRUST**

**BOARD OF DIRECTORS’ MEETING**

#### MINUTES

**June 6, 2019**

I. A meeting of the Board of Directors of the St. Louis Area Insurance Trust was held on Thursday,

June 6, 2019, at the Maplewood Fire Department Headquarters, 7601 Manchester Road, Maplewood, MO 63143. The meeting was called to order at 10:05 a.m. by Vice-Chairperson, Barbara Sondag.

Attendance was as follows:

 **Board Member Attending City**

 Bola Akande Y City of Brentwood

 Mark Perkins Y City of Creve Coeur

Doug Harms\* Y City of Des Peres

Robert Shelton Y City of Town & Country

Matt Zimmerman Y City of Hazelwood

Marty Corcoran Y City of Maplewood

 Dave Watson Y City of Maryland Heights

Amy Hamilton\*\* Y City of Richmond Heights

Barbara Sondag Y City of Olivette

 Matt Conley Y City of St. Ann

Steve Wylie N City of Webster Groves

 Steve Wicker Y The Daniel and Henry Company

 George Liyeos 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

 Joan Jadali Y City of Webster Groves

\*Arrived at 10:25 a.m.

\*\*Arrived at 10:45 a.m.

II. Approval of Minutes from April 4, 2019 Meeting

Barbara Sondag asked for any additions or corrections to the Minutes from the April 4, 2019, Board Meeting. There being none, a motion was made by Marty Corcoran and seconded by Mark Perkins to approve the Minutes of the April 4, 2019, meeting as presented. The motion passed.

VI. Old Business

1. Website Update

There being no objection, the Website Update was moved to this point on the Agenda. Becky Redfering and Ashley Kinsella reviewed progress made on the site since the last meeting and demonstrated what had been loaded to the site. It was noted that some information is only accessible by password. After some discussion, Steve Wicker stated that an approach being considered to launch the site, is to allow Board members to access it first and then incorporate any changes suggested by the Board prior to the SLAIT Annual Meeting. The site could then be rolled out to the membership at the Annual Meeting.

III. Claims Administration Report

Steve Wicker reviewed the Workers’ Compensation Large Claims Report. 51 claims are included in the Report, down from 52 last quarter. Eleven new claims were added to the Report and twelve were closed. Mr. Wicker noted, of the eleven new claims, six involved police officers, three street maintenance workers, one firefighter and one recreation employee. Two street maintenance claims resulted from falls on ice, and four of the police claims involved suspect apprehensions. Mr. Wicker added that the number of large claims, those with an incurred value of more than $100,000, continues to trend on the high side, with eleven claims since the last meeting, being four more than occurred a year ago.

Steve Wicker also stated that he is considering different ways to report on large workers’ compensation and liability claims. It was suggested by several Board members that much less medical information could be provided relative to large workers’ compensation claims and that all of the reporting should try to identify loss trends that could hopefully help reduce claims.

IV. Financial Report

A. Review of Financial Statement as of March 31, 2019

Steve Wicker briefly reviewed the SLAIT Financial Statement as of March 31, 2019. He stated that the current fund balance is $5.6 million. He noted that the updated actuarial estimates that will be discussed later in the Meeting are not yet incorporated into the Financials, so they are little changed since last quarter.

B. Approval of Bills

It was noted that there was one mistake on the Listing of Health Invoices for approval, so a revised listing has been provided today. A motion was made by Marty Corcoran and seconded by Mark Perkins to approve the Invoices for Approval listing as revised. The motion passed.

C. State of Missouri Financial Examination

Steve Wicker reported that the Missouri Department of Insurance, Financial Institutions and Professional Registration has notified the Trust that is will be conducting an examination of SLAIT in the next several months. The Examination will be as of June 30, 2018. Mr. Wicker added that these examinations are scheduled approximately every five years, the last one being as of June 30, 2013. He added that State Statutes require that the insurer reimburse the State for the cost of the Examination.

V. Loss Control Report

 Dave Winters reported on recent loss control activities. He noted that he attended several meetings of member Safety Committees and had reviewed Police Pursuit Policies to determine if members’ policies are in compliance with the Trust’s recommendations and to verify that members’ officers had been trained on the Policy. Mr. Winters stated that all members are in compliance. Mr. Winters also reported that he continues to encourage use of the newly purchased streaming video safety programs.

 Steve Wicker then announced that today would be Dave Winters last SLAIT meeting since Mr. Winters has announced that he is retiring effective July 8, 2019. Mr. Wicker added that, for at least a short term solution, he is proposing that Thomas McGee take over the loss control function for the Trust and stated that this concept of placing loss control and claims administration together in a closer working relationship is something that was recommended in the Charlesworth Consulting Group Report. Mr. Wicker stated that there would be no additional cost to SLAIT and noted that Thomas McGee has a loss control person in its St. Louis office. It was noted that the concept can be evaluated on a quarterly basis by the Board. Mr. Winters was then the recipient of a round of applause from the SLAIT Board of Directors for the work he had done for the Trust over nearly 30 years.

VI. Old Business

1. Website Update

It was noted that this item had already been addressed.

 B. Surety Bond Purchase

 Steve Wicker reported that the Surety Bond, which was lowered from $1.5 Million to $1 Million at the April meeting, renews on August 1, 2019 with Berkley Insurance Company. As part of the renewal process, Berkley has notified SLAIT that it will require collateral for the bond going forward and has asked for the bond to be 50% collateralized, thus the collateral amount will be $500,000. Mr. Wicker stated that the bond was marketed to see if there were any better options available, but there were none. Mr. Wicker noted that the easiest way to comply with the collateral requirement is to purchase a Letter of Credit from UMB Bank. To do so, the bank requires the Board to sign a corporate resolution, a copy of which is available at the meeting for signature by each Board Member. Finally, it was noted that the cost of the Letter of Credit is $5,175. Even with this added cost, the cost to purchase the $1 Million bond will be approximately $5,000 less than the cost for the expiring $1.5 Million bond. After a brief discussion, a motion was made by Doug Harms and seconded by Marty Corcoran to approve the purchase of a $500,000 Letter of Credit from UMB Bank to collateralize SLAIT’s Surety Bond. The motion included providing authority to Steve Wicker to take all necessary steps to accomplish this purchase. The motion passed.

Mark Perkins asked if Members of the Board of Directors had any insurance coverage through SLAIT. Steve Wicker stated that there is a Directors’ & Officers policy with a $1,000,000 limit purchased on an annual basis. He added that Daniel & Henry will look at increasing that limit to $2,000,000 and perhaps even to $3,000,000 since that is the liability limit provided to all SLAIT members. Mr. Wicker stated that increased limits would not be very expensive and could be covered by the amounts currently budgeted. It was noted that the Trust does indemnify current and past Board Members and thus this insurance coverage would be used to provide a defense to the Board Members should some type of claim be made against them.

VII. New Business

A. Review of Actuarial Valuation

Steve Wicker reviewed the Actuarial Valuation for SLAIT and reminded the Board that there are two reasons for having the actuarial report performed. First, to project the ultimate losses for each policy year, and second to provide a loss projection for the coming policy year. Mr. Wicker then reviewed ultimate loss projections for SLAIT by coverage. He noted that compared to the prior year’s report, the ultimate loss forecast for workers’ compensation had increased by approximately $935,000, with $580,000 of that attributable to the current policy year. All other years combined increased by approximately $355,000. Mr. Wicker noted that this increase is much less than experienced in the prior two years which averaged approximately $4 million per year.

For liability coverages, the ultimate loss forecast, in total, decreased approximately $500,000 from one year ago. The last three policy years decreased by approximately $615,000, while all other years combined increased by approximately $115,000. It was noted that the net change to Fund Balance from the valuation will be minimal.

Steve Wicker then reviewed the loss forecasts for the period July 1, 2019 to July 1, 2020. He stated that expected losses for workers compensation in the coming policy year are $7,150,000, and for liability coverages $1,705,000. Mr. Wicker noted that the workers’ compensation number is approximately $650,000 or 10% higher than a year ago, while the liability number is $30,000 less than a year ago or 1.7%. The selected loss rates for 2019-2020 are $3.50 per $100 of payroll for workers’ compensation, a 7.7% increase, $3.53 per $100 of payroll for general liability, an 11.5% decrease, $297.32 per vehicle for auto liability, a 1.5% increase, and $556.88 per Class A police officer, also up 1.5%.

B. 2019-2020 Liability and Workers’ Compensation Renewal

Steve Wicker reported the SLAIT Rate Committee, consisting of Barbara Sondag, Matt Zimmerman, and Dave Watson, met on May 30, 2019, and is recommending the proposed SLAIT Budget and rates. Mr. Wicker then reviewed the 2019-2020 information on rates and renewal. He reminded the Board that rates and premium are driven by expected losses as determined by the Trust’s actuary and noted for workers’ compensation, expected losses for 2019-2020 are $7,175,000, a $675,000 or 10.4% increase from a year ago. With expenses and a $735,000 loss contingency, $9,050,000 in assessments are required. This is $835,000 or 10.2% more than the current year. Mr. Wicker noted that rate increases by individual member vary greatly, from a 24% decrease to a 33% increase, primarily due to changes in experience modification factors.

Steve Wicker then reviewed the excess workers’ compensation renewal worksheet and noted that excess insurance is the largest non-claims expense for the Trust. He reported SLAIT is staying with the same workers’ compensation excess provider, Midlands Management that the Trust has been with since the 2013-2014 policy year. He added that Midlands has been purchased by Safety National, a St. Louis based excess carrier, so the actual insurance policy is now with Safety National, an A+ rated carrier, instead of New York Marine. Mr. Wicker noted that the number of excess carriers continues to decrease, making the market less competitive. He reminded the Board that the Trust has approximately $5.5 million in excess reimbursement on its books for two workers’ compensation claims from the 2016-17 policy year that were incurred by this provider. Even with these large claims, the rate increase this year is only 7.5%, for a total cost of $935,000.

Finally, relative to workers’ compensation, Mr. Wicker stated that the group experience modification factor for Trust members’ remains extraordinarily high, but has levelled off. This year it is 1.30 compared to 1.31 a year ago, which means that rates had to increase significantly this year to generate the 10% assessment increase required. He reminded the Board that the rates are based on loss cost rates provided by the Missouri Division of Insurance. Thus, the relationship between rates, for example, the firefighter rate being 60% higher than the police rate, is determined by these loss costs. It was noted that changes to the top four effective rates, the classification rate modified by the SLAIT discount, were as follows for the upcoming policy year. The firefighter rate increased 12.6%, the police rate increased 6.2%, parks NOC rate was up 17.6% and the street construction rate increased by 5.4%. Finally, Mr. Wicker reported that estimated payrolls are up approximately $5.25 million or 2.6%.

Steve Wicker then reviewed the projected revenues and expenses for liability coverage. He reported that expected losses are $1,690,000, a $45,000 decrease from the prior year. With expenses and a $190,000 loss contingency, $2,365,000 in assessments are being made, a $75,000 or 3.3% increase compared to the current year. Mr. Wicker reminded the Board that an additional $260,000 in assessments will be charged to members to cover the costs of increasing each members’ per occurrence limit from $1 million to $3 million. It was noted that these amounts are charged to members’ on a pro rata basis, based on payrolls.

Steve Wicker then reviewed the liability premium worksheet by member and reminded the Board that the calculation method was changed last year and he is recommending the same rating system for this year, with tiered increases based on five year loss ratios. The members were divided into three groups and assigned tiered increases based on this loss ratio. The best tier received no increase, with the next two tiers receiving 5% and 15% increases respectively. Mr. Wicker stated that because expected losses decreased slightly, the Trust is able to leave assessments for the 14 members with loss ratios less than 50% unchanged. It was also noted that excess coverage is being renewed at the same rate as the current year, since the Trust had an agreement with ACE/Chubb to not increase its rate if there were no losses in the excess layer. After some discussion, a motion was made by Matt Zimmerman and seconded by Mark Perkins to adopt the recommendations of the Rate Committee including the rates being proposed for both workers’ compensation and liability coverage for SLAIT for the 2019-2020 policy year, and the excess renewal proposals provided by the current carriers. The motion passed.

C. Insured Coverages

Becky Redfering reported that Cyber Liability and Public Officials quotes have already been forwarded to members and Property quotes should start being forwarded next Monday. Steve Wicker stated that Cyber will renew without a rate increase. Realtive to the Public Officials coverage, there is a slight rate increase of approximately 2% and members with several claims in the past few years may see increased deductibles or slightly higher increases. For property, most members will renew without a rate increase, although recent losses may lead to a slight increase.

D. Payroll Audits

Steve Wicker reported that The Audit Store is quoting a rate of $201 per audit. Mr. Wicker stated this is a slight increase from $190 last year, and is a flat rate per audit. Mr. Wicker added that SLAIT has used the Audit Store for the past several years with few problems, so he recommends remaining with them at the fixed cost rate. A motion was made by Marty Corcoran and seconded by Bola Akande to use the Audit Store at a price of $201 per audit to perform payroll audits for SLAIT for the 2018-2019 policy year. The motion passed.

E. Appointment of Nominating Committee

Barbara Sondag stated that four Board terms expire on July 1, 2019, and there is a vacancy created by the resignation of Craig Owens for a term that expires July 1, 2020. She added that a Nominating Committee needs to be appointed to make nominations for these terms to the membership at the Annual Meeting to be held in September. She also noted that the Committee is responsible for making recommendations for Officers for the coming policy year at the Board Meeting held in September. Ms. Sondag then appointed Mark Perkins, Matt Conley and Doug Harms to the Nominating Committee. It was noted that traditionally officers have served two one-year terms in their positions, and the current officers have now served for two years. Marty Corcoran stated that he will be retiring from the City of Maplewood no later than the end of the calendar year and perhaps earlier and suggested that the Nominating Committee might also want to address the Board vacancy that will be created by his retirement. After some discussion, it was the consensus of the Board to have the Nominating Committee address filling the four expired terms, the current vacancy and the potential vacancy.

F. Next Meeting Date

The next Board Meeting was scheduled for Thursday, September 19, 2019, at 9:30 a.m., at City Hall in Olivette, Missouri. The Board Meeting will be held prior to the Annual Meeting scheduled for that same date at 11:00 a.m.

G. Other Business

Steve Wicker reminded the Board that based on concerns raised at the April meeting, Matt Conley had indicated that the City of St. Ann would look at possible alternatives to SLAIT for liability coverage. In this regard, the City applied to MOPERM for an effective date of July 1, 2019. Mr. Wicker stated that he had been informed by Mr. Conley that the quote for Police Liability insurance alone was substantially more than what the City pays for all liability coverages with SLAIT and thus the City cannot justify moving to MOPERM. In response to a question, Mr. Conley stated that the premium was more than $300,000 and came with a $50,000 deductible. Doug Harms noted that it would be helpful if Mr. Conley would provide the quotes received from MOPERM to the SLAIT Board and Mr. Conley stated that he would do so.

Doug Harms stated that one of the items that interested him most in describing the MOPERM quote was the large deductible that was attached to police liability coverage. He added that since SLAIT deductibles have been unchanged for many years, perhaps that is an issue the Trust should explore as a possible means to lessen its exposure. As part of the discussion, it was noted that all SLAIT members’ Pursuit Policies now meet the SLAIT guidelines for pursuit, but the concern expressed at the April meeting was that some cities might not enforce their Policy in an appropriate manner. Perhaps large deductibles would lessen this possibility.

Mark Perkins stated that it was always his thought that the Trust would want to collect data from its members relative to Pursuits to determine what percentage are not compliant with policy. He noted that departments collect this data and believes that SLAIT should review it. After additional discussion, it was decided that Daniel & Henry should collect Pursuit data from member Police Departments, for the Board to review prior to determining how to further address this issue.

There being no other business, the meeting adjourned at 11:25 a.m.

Submitted by: Stephen D. Wicker

Approved by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_