

ST. LOUIS AREA INSURANCE TRUST

A Self-Insurance Pool

ST. LOUIS AREA INSURANCE TRUST BOARD OF DIRECTORS' MEETING

MINUTES

January 16, 2020

- I. A meeting of the Board of Directors of the St. Louis Area Insurance Trust was held on Thursday, January 16, 2020, at **Olivette City Hall, 1140 Dielman Road, Olivette, Missouri 63132**. The meeting was called to order at 10:05 a.m. by Chairperson, Barbara Sondag.

Attendance was as follows:

<u>Board Member</u>	<u>Attending</u>	<u>City</u>
Bola Akande	N	City of Brentwood
Mike Geisel	Y	City of Chesterfield
Amy Hamilton	Y	City of Richmond Heights
Doug Harms	Y	City of Des Peres
Barbara Sondag	Y	City of Olivette
Gregory Rose	Y	City of University City
Mark Perkins	N	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	Y	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 Hudson	Y	The Daniel and Henry Company
Jill Newman	Y	The Daniel and Henry Company
Mike Hanson	Y	The Daniel and Henry Company
George Liyeos	Y	The Daniel and Henry Company
John Charpie	Y	Thomas McGee Group
Travis Bennett	Y	Thomas McGee Group

- II. Approval of Minutes from September 19, 2019 Meeting

Barbara Sondag asked for any additions or corrections to the Minutes from the September 19, 2019 Board Meeting. There being none, a motion was made by Doug Harms and seconded by Mike Geisel to approve the Minutes as presented. The motion passed.

III. Claims Administration Report

Steve Wicker summarized the Workers' Compensation Report. He noted that the Report contains 45 claims, down from 53 last quarter. Eight new claims were added to the Report, fourteen were closed and two had their total incurred value drop below \$100,000. Four new claims occurred in member Police Departments, two in Fire Departments and two involved clerical employees.

IV. Financial Report

A. Review of Financial Statement as of September 30, 2019

Steve Wicker briefly reviewed the Financial Statement as of September 30, 2019. He noted that the current fund balance is approximately \$6.6 million, up approximately \$2 million from a year ago. \$1.4 million of the increase is from Health Plan Results and \$600,000 from workers' compensation and liability results. A motion was made by Matt Conley and seconded by Bob Shelton to accept the Financial Statement as presented. The motion passed.

B. Approval of Bills

Steve Wicker stated that no additions or corrections were needed to the Invoices for Approval listing. A motion was made by Amy Hamilton and seconded by Matt Conley to approve the invoices as presented. The motion passed.

C. Review of Financial Audit for Year Ended June 30, 2019

Steve Wicker briefly reviewed the Financial Audit of the Trust as of June 30, 2019. 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, summarize the positive financial results the Trust experienced in 2018-19 as Fund Balance increased from approximately \$3.8 million to \$5.55 million. Finally, Mr. Wicker reported that the \$2.5 million 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.

Dave Watson asked about the more than \$150,000 increase shown in General and Administrative expenses from 2018 to 2019. Steve Wicker stated that most of it came about because Wellness Grants for both years were primarily paid and accounted for in the 2018-19 policy year. A motion was made by Gregory Rose and seconded by Bob Shelton to accept the Audited Financial Statement as of June 30, 2019. The motion passed.

V. Loss Control Report

Travis Bennett briefly reviewed the quarterly Loss Control Report. He stated that he had spent time with several member safety committees, conducted two ten hour OSHA seminars attended by 49 employees and also conducted several driver training courses related to winter and Street and

Park Maintenance driving that involved approximately 100 employees. Finally, he reported that a Fall Protection seminar is scheduled for January 23, and approximately 50 employees are expected to attend. The seminar will be held in Clayton.

Travis Bennett then reminded the Board that he had been asked at the last meeting to investigate the cost of various Accreditation Programs for municipal departments and to provide an assessment as to whether such accreditation would be helpful in the prevention of claims. In this regard, Mr. Bennett distributed a document showing the cost for CALEA Accreditation, which is available to police and dispatching agencies, Parks and Recreation accreditation from the National Recreation and Park Association and Public Works accreditation from the American Public Works Association. He noted that all of the accreditation programs have direct costs, with CALEA being the most expensive. He also noted that all of the programs have a substantial non-direct cost related to employee costs involved in meeting the guidelines, with both CALEA and the APWA programs estimated to take at least 24-36 months before accreditation is obtained.

Barbara Sondag reminded the Board that this issue was raised in the context of whether SLAIT should offer an incentive for member cities to have departments other than police accredited by a third party agency. She added that currently SLAIT offers a \$5,000 reimbursement to cities for CALEA accreditation only, to help member cities recover some of the initial cost involved. Ms. Sondag then asked how the Board wished to proceed at this time.

Gregory Rose asked if other police accreditation organizations had been considered for reimbursement. Steve Wicker stated that the issue had been addressed when the CALEA reimbursement program first began. At that time, it was determined that SLAIT would only incentivize CALEA.

Mike Geisel stated that the City of Chesterfield has several accredited departments and indicated that it is his belief that incentives from SLAIT would not have much of an influence relative to members seeking these accreditations. Mr. Geisel noted that the process does have significant costs relative to employee time in addition to the actual monetary cost involved, and the accreditation process is aimed at a lot more than risk management as far as the policies and procedures that need to be adopted. After additional discussion, it was the consensus of the Board that should a member wish for SLAIT to incentivize professional accreditation, the member should come forward with a proposal and documentation as to how that accreditation will be beneficial to SLAIT. The Board would then make a final decision on each proposal.

VI. Health Plan Report

A. Plan Status as of December 31, 2019

Steve Wicker reported that as of 12/31/2019, the 2019-2020 policy year claims are just under \$11 million, approximately 95% of expected. He added that if this trend continues, surplus for the year will be \$1.5 to \$2 million and these better than expected results can be taken into account when determining rate increases for the 2020-2021 policy year.

B. Discussion 2020-2021 Rates

Steve Wicker stated that he intends to use the same process employed over the past several years to rate the Health Plan for 2020-21. He reminded the Board that this process involves using 30 to 32 months of loss history to divide members into three groups for rate adjustments, with a large portion of the membership receiving the same increase/adjustment. He acknowledged that there has been some Board discussion of revising this process, but added that any major change would probably require additional professional assistance and expertise.

After a brief discussion, it was determined these larger issues would not be dealt with by the 2020-2021 Rate Committee, and a Committee of Mike Geisel, Matt Conley and Gregory Rose was then appointed to review proposed rates for the next policy year. Steve Wicker noted that there will only be one Committee Meeting needed, near the end of March, to allow a rate proposal to be presented to the Board at its April meeting.

C. Report on Wellness Activities

Mike Hanson reintroduced Jill Newman to the Board and noted that she is now handling the Wellness responsibility for SLAIT and working with members' Wellness Coordinators. Mr. Hanson then reported on the meeting of December 13, 2019. He noted that two representatives from Anthem were present at the meeting to address any remaining issues from the transition of the Rx benefits administration from Castia to Anthem. Mr. Hanson added that everything seems to be running as expected at this time.

Mike Hanson also reported that another session of the Naturally Slim weight loss program will begin shortly and confirmed that the program will only be offered once this year. He also stated that the Wellness Grant Program is currently being offered to member cities and mentioned a few innovative ideas that have been generated. In response to several questions, Steve Wicker reminded the Board that the Program is designed to return some premium to each member for new wellness activities and generate discussion about wellness among the health plans members.

VII. Old Business

A. Risk Management Review

Steve Wicker reminded the Board that approximately one year ago, the Board reviewed the Charlesworth Consulting Report and then tabled many of the issues raised due to the uncertainties created by the Better Together proposal. Since that proposal is no longer active, it was suggested at the last Board meeting that the Board continue to review the consulting Report and prioritize actions relative to the recommendations. Mr. Wicker added that some of the report recommendations have already been implemented, others should be implemented relatively quickly and others need to be discussed to see if they should be implemented and, if so, in what order and fashion.

Steve Wicker stated that he would like to address the current financial situation of the Trust first, and discuss how the negative fund balances relative to workers' compensation and liability coverages might be addressed. Mr. Wicker reminded the Board that SLAIT has never had to make an assessment and noted that every year is a separate year from an accounting standpoint since the membership in the Trust can change on an annual basis. Mr. Wicker then stated that he intends to provide a by policy year, by coverage, by member financial status worksheet to the Board. In this fashion, each member city's specific situation can be identified and the Board can determine how to proceed relative to possible workers' compensation and liability assessments. Mr. Wicker noted that for many members, any assessments could be offset by surplus distributions from the Health Plan.

Doug Harms stated that he thinks this is a particularly important exercise because some members that are not represented on the Board of Directors mistakenly believe that they are not affected by past deficits. In this fashion, the Trust can reeducate members that they are joint and severally liable to the Trust when claims and expenses exceed revenue. Dave Watson stated he believes there is not a need for immediate action relative to assessing the membership because the major issue for a self-insured Trust is cash flow and the Trust does not have a cash flow problem. Other Board members agreed with Mr. Harms basic point that having an idea by member of what the additional liability and workers compensation needs are and the equity balance for each member is a good idea. After some additional discussion, it was decided that the equity balance for each member should be calculated by coverage. Steve Wicker stated that this should be done after the next actuarial evaluation, which means that a review of that data and a plan on how to proceed could begin early in the 20-21 policy year.

Steve Wicker then stated that one item from the Charlesworth Consulting Report that he would like the Board to take action on today concerns the purchase of reinsurance. He noted that Charlesworth recommended involving Thomas McGee to ensure pricing competitiveness and that it was his recommendation that this item be taken one step further and have Thomas McGee begin placing the coverages for the Trust effective with the 20-21 policy year. He noted that since 2013-14 the Trust has used a wholesaler, Swett & Crawford to perform this task, thus this recommendation is simply to replace Swett & Crawford with Thomas McGee. After a brief discussion, a motion was made by Doug Harms and seconded by Amy Hamilton to approve having Thomas McGee market the Trust's reinsurance coverage that will become effective in the 2020-21 policy year. The motion passed.

Steve Wicker stated that there are other issues/recommendations identified in the Charlesworth Report, that, in his opinion, require more study, and perhaps outside expertise. Among these issues is whether or not the Trust wants to grow, whether different rating systems are needed for Health and/or Liability coverage, should property be self-funded, and should deductibles be modified and perhaps used to even discourage membership. Finally, the concept of succession planning was identified in the Report as an issue the Board should be addressing. It was noted that after more than 30 years of existence, these topics pretty much involve a look at how a self-insured Trust should be organized in 2020 compared to 1990.

The liability deductible issue was then discussed. Steve Wicker noted that deductibles in the fully insured marketplace are often used as an underwriting tool to adjust premiums to determine where

an insured feels comfortable with deductible and total premium or to protect the insurer from an unusually high frequency of claims. It was noted that SLAIT has never actually operated in this fashion, as all SLAIT members have the same police, general and auto liability deductibles and each deductible is relatively small.

Steve Wicker noted that there is a tension in this discussion relative to whether SLAIT is an insurance company trying to control risks as any insurance company might or if it is a Trust that accepts the fact that members will have bad years at times but that over an extended period of time the good and bad years will even out since all of the members have essentially the same exposures. Amy Hamilton stated that she believes the focus for SLAIT should be on all members being treated the same and Gregory Rose noted that there are things that should be done to incentivize members to operate as safely as possible. Dave Watson stated that perhaps the basic premise isn't actually true. Different member cities actually have somewhat different exposures. He added that loss experience is what the Trust should really be interested in. Over time, any differences in exposures are ultimately reflected in loss experience.

After additional discussion, Barb Sondag stated that the current discussion is very similar to the discussion about third party accreditation and its impact on SLAIT. Everyone believes that members should have accountability to the Trust and is in favor of programs that would bring that accountability. What is difficult is to identify just what programs those would be and how that accountability should be achieved. Ms. Sondag then suggested that perhaps the Board needs to prioritize the various major issues that were raised in the Charlesworth Consulting Report to determine which recommendations to pursue in the near future and whether or not outside assistance will be needed to meet those objectives. It was then suggested that Steve Wicker email a list of the Report's recommendations to Board members and that each Board Member prioritize that list. From these Board Member responses, the Executive Committee of the Board, along with staff assistance from Steve Wicker and John Charpie, will determine what issues to place on future agendas.

B. Deductibles

It was noted that deductibles had been discussed as part of the risk management review and that there was no need to further address this issue.

VIII. New Business

A. Police Pursuits

Steve Wicker called the Board's attention to the Police Pursuit data from 2018 that was provided in the Board's packet. He noted that there were 84 police pursuits by SLAIT member cities during 2018 and 74 or 88% of those were found to be in compliance with the members' policy. He reminded the Board that member policies can vary as long as they meet the minimum guidelines provided by the SLAIT Board. In response to a question from Matt Zimmerman, it was noted that each department makes its own determination as to whether or not a pursuit was in compliance with its policy.

B. Health Membership Request from St. Charles Area

Steve Wicker stated that he had received a letter from Michael Padella, Weldon Spring's City Administrator, relative to the desire of several St. Charles Area public entities to join the SLAIT Health Plan. Mr. Wicker noted that this group had been studying self-insuring health for approximately 1500 employees and now are asking if SLAIT would allow the group to join the Trust for health coverage only. Mr. Wicker added that the current SLAIT policy is that members must have workers' compensation, liability coverages and health coverage to be a member of SLAIT and that this proposal would require a change in that policy. Both Matt Conley and Doug Harms commented that at this time they just did not see any reason/benefit to consider members who do not participate in all of SLAIT's insurance coverages. Mr. Harms noted that perhaps he could be persuaded otherwise if it could be shown to be in SLAIT's financial interest, but at this time, he would tell the St. Charles group no. Mike Geisel noted that in addition to not wanting all SLAIT coverages, some of the entities requesting membership in SLAIT would not meet the professional management criteria of the Trust. After additional discussion, a motion was made by Steve Wylie and seconded by Amy Hamilton instructing Steve Wicker to reiterate to the St. Charles group what the SLAIT membership requirements are and since the St. Charles Area proposal does not meet those requirements, the group will not be considered by SLAIT at this time. The motion passed.

C. Next Meeting Date

The next SLAIT Board Meeting was scheduled for Thursday, April 2, 2020 at 10:00 a.m. at the City Hall in Olivette.

There being no other business, the meeting adjourned at 11:45 a.m.

Submitted by: Stephen D. Wicker

Approved by: _____