

ST. LOUIS AREA INSURANCE TRUST

A Self-Insurance Pool

ST. LOUIS AREA INSURANCE TRUST BOARD OF DIRECTORS' MEETING

MINUTES

April 16, 2020

- I. A meeting of the Board of Directors of the St. Louis Area Insurance Trust was held on Thursday, April 16, 2020, via Video Conferencing. 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	Y	City of Brentwood
Mike Geisel	Y	City of Chesterfield
Mark Perkins	Y	City of Creve Coeur
Doug Harms	Y	City of Des Peres
Matt Zimmerman	Y	City of Hazelwood
Dave Watson	Y	City of Maryland Heights
Barbara Sondag	Y	City of Olivette
Amy Hamilton	Y	City of Richmond Heights
Matt Conley	Y	City of St. Ann
Robert Shelton	Y	City of Town & Country
Gregory Rose	Y	City of University City
Steve Wylie	Y	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 Hudson	Y	The Daniel and Henry Company
Mike Hanson	Y	The Daniel and Henry Company
Jill Newman	Y	The Daniel and Henry Company
John Charpie	Y	Thomas McGee Group

II. Approval of Minutes from January 16, 2020 Meeting

Barbara Sondag asked for any additions or corrections to the Minutes from the January 16, 2020, Board Meeting. There being none, a motion was made by Matt Conley and seconded by Doug Harms to approve the Minutes as presented. The motion passed.

III. Claims Administration Report

Steve Wicker reported that there were no specific liability claims on which to report and stated, relative to workers' compensation, that there are now 42 claims in the Large Claims Report, down from 45 last quarter. Six new claims were added to the Report, seven were closed and two claims which recently reached the Trust's retention are no longer being reported. Of the six new claimants, two are street maintenance workers, two are police officers and two are firefighters. The claims involved two ice related falls, three training accidents and one occurred during an arrest.

Steve Wicker added that as of this morning, ten Coronavirus claims have been reported to the Trust, all involving first responders, eight firefighters and two police officers. At this time, no member employees have been hospitalized due to the virus.

IV. Financial Report

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

Steve Wicker briefly reviewed the Financial Statement as of December 31, 2019. He noted that the current fund balance is approximately \$6.3 million, and reminded the Board that this statement is little changed from the past quarter since updated numbers from the Actuarial Valuation are not yet incorporated. Steve Wicker then stated that he wanted to further explain some issues raised about the financial statement at the last meeting and also addressed in an email by Doug Harms to the Board of Directors. Mr. Wicker explained that there is some confusion about the excess insurance reimbursement receivable of nearly \$13 million that is listed as an asset of the Trust. He noted that \$2.5 million of this receivable is involved in pending litigation, in which the Trust recently prevailed at the Circuit Court level. Mr. Wicker added this is the only portion of the receivable that is involved in any dispute.

Steve Wicker further explained that the majority of the receivable is related to workers' compensation claims and noted three large workers' compensation claims, one in the 2010 policy year and two in the 2017 policy year make up approximately \$11.5 million of the excess claim amount. Finally, Mr. Wicker noted that the Trust accountant keeps a worksheet related to the reimbursable claims and stated that he would provide a copy of that worksheet to the Board as part of the next quarterly financial statement.

Steve Wicker then stated that a second question raised concerning the Financial Statement is whether or not it should more easily separate the results of the Trust by coverage. He noted that back in 1998-99 when SLAIT and PACT combined to form one Trust, the statements were combined relative to workers' compensation and liability results. He added that the Health results have always been identified separately and are on page 4 of the Statement. Mr. Wicker stated that he thinks it would be more informative to separate the workers' compensation and liability results in the way that health has been separated and unless there are any objections from the Board, future financial statements will make this change. He added that it might not be possible for the Statement as of March 31, 2020, but can certainly be accomplished by the end of the policy year, June 30, 2020.

Doug Harms stated that he believes it is important to have the Financial Statement reflect by coverage results as a means to identify where SLAIT's shortfalls have occurred and thus provide information to the Board on how to address any shortfalls. Steve Wicker added that putting the Financial Statement together in this way will help him do the by policy year, by coverage analysis that the Board requested at the last meeting and noted that the process can now begin using the updated Ultimate Losses projected in the just completed Actuarial Valuation. After some additional discussion, it was the consensus of the Board that the Financial Statement should be revised to include separate accounting by coverage as part of the exhibits.

Barbara Sondag asked what would be a normal or expected number relative to workers' compensation losses. Steve Wicker stated that expected losses are provided by the Trust's actuary on an annual basis and are used for the Trust's budget. In addition, a loss contingency is always provided in the budget and yet, for several of the most recent years, the Trust has greatly exceeded those numbers. Mr. Wicker reminded the Board that they have not underfunded the expected workers' compensation losses, they have simply had more than what would be expected.

Bola Akande asked how a Board member should respond to the negative financial information Municipal Placement Partners published based on the Missouri Division of Insurance audit of SLAIT. Steve Wicker stated that, as far as anyone knows, Municipal Placement Partners does not actually exist, even though several letters have been anonymously sent to various city officials over the past two years. He also noted that the financial information is as of June 30, 2018 and if you use current data, the Fund Balance has improved from \$3.7 million to \$6.3 million over the past 18 months. The point to emphasize is that if the Trust shut down today, after all claims were paid, SLAIT would still have \$6.3 million to distribute to the members, plus an additional \$1 million that is the Aggregate Reserve. Mike Geisel stated that he believes it would be helpful, as a Board member, to have a brief talking points memo to help him respond to this type of negative and incorrect information relative to the Trust. It was the consensus of the Board that such information would be helpful and Steve Wicker stated that he would provide some relevant talking points.

Doug Harms added that he had one additional question about the Financial Statement. He noted that a large part of the Trust's liabilities are claims reserves and incurred but not reported (IBNR) numbers. He asked if there is some way to determine how accurate those numbers are. Steve Wicker reminded the Board that reserves are set by the Trust's claim administrator, Thomas McGee, and are part of every open reported claim. Dollars paid plus claim reserves equal the total incurred value of every open claim. Often, these reserves need to be adjusted based on additional information relative to any claim, but they are the best estimate of the adjuster and the process is how every insurer reports claim values.

Steve Wicker then stated that IBNR is the difference between the total claim value as set by the adjuster and the ultimate claim cost as set by the Trust's Actuary. He noted that the Trust updates the actuarial results on an annual basis and there can be quite bit of volatility in these estimates. Mr. Wicker added, that once again, this is how all insurers arrive at liabilities. He noted that the only other approach would be to treat claims on a cash basis using reserves, but no IBNR, which would greatly understate the Trust's liabilities. A motion was then made by Mike Geisel and seconded by Gregory Rose to accept the Financial Statement as of December 31, 2019 as presented. The motion passed.

B. Review of State Financial Examination as of June 30, 2018

Steve Wicker noted that the Board had previously been sent a copy of the Examination Report with an Affidavit of Receipt and asked that Board members who had not yet returned the Affidavit to please do so as soon as possible so that they can be filed with the State of Missouri. He reminded the Board that the State Financial Examination was as of June 30, 2018, and includes the 5 year period beginning July 1, 2013 thru June 30, 2018. He added that the Summary of Significant Finding's stated, "There were no material adverse findings, significant compliance issues or material changes to the Financial Statements noted during the examination." He added that on page 6 of the exam, there is a summary of the negative results relative to workers' compensation and liability and the positive results of the health coverage that the Trust experienced during these five years. Mr. Wicker added that the report is a public document and is posted on the website of the Department of Commerce and Insurance. After a brief discussion, a motion was made by Bola Akande and seconded by Matt Conley to accept the State Financial Examination Report as of June 30, 2018. The motion passed.

C. Approval of Bills

It was noted that no additions or corrections were needed to the Invoices for Approval listing that had been provided to the Board. A motion was made by Doug Harms and seconded by Gregory Rose to approve the invoices as presented. The motion passed.

V. New Business

A. Health Plan Renewal – 2020-2021

Steve Wicker reported on the Health Renewal being recommended by the Health Administration Committee consisting of Mike Geisel, Gregory Rose, and Matt Conley. In summary, the Committee is recommending a 2% rate increase for most member cities with the best performers receiving no increase in premium and the worst performers receiving a 4% increase. It was noted that St. Ann, Rock Hill and West Central Dispatch Center will receive a 0% increase, while only East Central Dispatch Center will receive a 4% increase. Mr. Wicker added that this relatively modest increase is possible even with a 6.75% increase in expected medical claims because this year's claims are running at 95% of expected and are approximately 4% less than 2018-2019 on a per employee per month basis.

Steve Wicker then reviewed the proposed health plan budget for 2020-2021. He noted that the Trust will generate approximately \$26,450,000 in premium plus interest. Expected claims are \$23,430,000 and with fixed costs of \$2,142,000 or approximately 8% of premium, the total expenses for the Trust come to \$25,572,000. The loss contingency or expected surplus is \$878,000. Expenses are up slightly as Anthem will receive an approximately 3% overall increase in its administrative fee and costs of stop loss and aggregate insurance. Finally, Mr. Wicker noted that the 2019-2020 policy year is now expected to yield a surplus of nearly \$2,000,000.

Steve Wicker then reported that in addition to the health plan renewal, he is recommending a \$440,000 surplus distribution, which is all of the remaining surplus from the 2011-2012 policy year. He noted that for members that were members during that year and which are receiving a 2% premium increase, the distribution will be almost equal to the rate increase. It was noted that the distribution will be for those members that were members during the 2011-2012 policy year and are also current members of the Health Plan when the funds are distributed, probably September of 2020. A motion was made by Mark Perkins and seconded by Amy Hamilton to approve the recommended surplus distribution. The motion passed.

Finally, Steve Wicker reminded the Board that the switch a year ago to Anthem for prescription drug coverage included rebates in the range of \$500,000 that are expected to be received around October 1, 2020. Since these monies have never been received before, they are not a part of the proposed budget. Following discussion, a motion was made by Doug Harms and seconded by Matt Conley to approve the rate proposal recommended by the Rate Committee. The motion passed.

B. Review of June 30, 2020 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 \$1,460,000 with a \$1.55 million increase occurring in the 2018-2019 year, a \$700,000 increase in the current year, and a \$660,000 decrease in the 2017-2018 policy year. All other years combined decreased by approximately \$130,000. Mr. Wicker noted that this increase is slightly higher than a year ago, but 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, increased approximately \$465,000 from one year ago. The largest increases were approximately \$465,000 in 2017-2018, \$200,000 in 2014-2015 and \$110,000 in the current policy year. All other years combined decreased by approximately \$310,000, with the largest decrease, \$230,000, in the 2011-2012 policy year.

Steve Wicker then reviewed the loss forecasts for the period July 1, 2020 to July 1, 2021. He stated that expected losses for workers compensation in the coming policy year are \$7,550,000, and for liability coverages \$1,770,000. Mr. Wicker noted that the workers' compensation number is approximately \$410,000 or 5.7% higher than a year ago, while the liability number is \$65,000 higher than a year ago or 3.8%. The selected loss rates for 2020-2021 are \$3.60 per \$100 of payroll for workers' compensation, a 2.9% increase, \$3.47 per \$100 of payroll for general liability, a 1.7% decrease, \$306 per vehicle for auto liability, a 2.9% increase, and \$631.52 per Class A police officer, up 13.4%.

Dave Watson noted that relative to SLAIT claims, medical costs are not only a primary factor in the health plan but are also one of the largest factors in the workers' compensation program. He stated that perhaps the Trust should see if there's any possibility that the Missouri legislature would allow 24 hour coverage. John Charpie noted that this was a topic that was discussed in many states several years ago, but that he is not aware of any state that has started a plan. Steve Wicker did note that Thomas McGee contracts with a medical network that discounts the workers' compensation physician fees for a percentage of savings, but added that the savings is nowhere near what health providers negotiate.

C. Appointment of Rate Committee

Barb Sondag stated that the Trust needs members to serve on the Rating System Committee to determine workers' compensation and liability rates for the 2020-2021 renewal. Mark Perkins,

Mike Geisel and Bola Akande agreed to serve on the Committee. Steve Wicker noted that there would be one meeting of this Committee, probably near the end of May, 2020.

D. Next Meeting Date

The next SLAIT Board Meeting was scheduled for Thursday, June 4, 2020 at 10:00 a.m. at a location to be determined.

E. Other Business

Barbara Sondag asked Steve Wicker what the results were of the Board survey regarding SLAIT priorities. Mr. Wicker noted that the number one priority of nearly ever Board member that responded was a review of the Trust's financial condition on a by coverage basis. The second most mentioned priority was succession planning and other items were seen as something to be studied but not an immediate need. After some discussion, it was decided to put a discussion of these priorities on the Board's next agenda.

Doug Harms asked how this meeting was publicized and also indicated that he thinks maybe a special effort needs to be made to make non-Board member SLAIT entities aware of the Board's meetings. Steve Wicker stated that the meeting is publicized on the SLAIT website and that there was a number available for public call-in. He added that there were no special efforts made relative to SLAIT members not represented on the Board of Directors, but that they also could be aware of the meeting and access the Agenda on the website. After a brief discussion, it was decided that the Agendas of the meeting should be sent to each member city in the future in addition to being placed on the SLAIT website.

There being no other business, the meeting adjourned at 11:05 a.m.

Submitted by: Stephen D. Wicker

Approved by: _____