

# ST. LOUIS AREA INSURANCE TRUST

*A Self-Insurance Pool*

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

### MINUTES

**June 4, 2020**

- I. A meeting of the Board of Directors of the St. Louis Area Insurance Trust was held on Thursday, June 4, 2020, via Video Conferencing. The meeting was called to order at 10:00 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
Robert Shelton	Y	City of Town & Country
Matt Zimmerman	Y	City of Hazelwood
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
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
Travis Bennett	Y	Thomas McGee Group

- II. Approval of Minutes from April 16, 2020 Meeting

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

III. Claims Administration Report

Steve Wicker reported on workers' compensation claims greater than \$100,000 and noted that during the Covid-19 shut down there have been a lot of postponed doctor's appointments and administrative hearings. He noted that there are now 41 open claims, down from 42 last quarter. Three new claims occurred since the last meeting and four were closed. Of the three new claims, one involved a police officer, one was a park maintenance employee and one was clerical. Causes of loss were lifting, a fall on ice, and carpal tunnel syndrome, respectively. Mr. Wicker added that the number of open large claims, seems to be trending down. A year ago there were 51 such claims.

IV. Financial Report

A. Review of Financial Statement as of March 31, 2020

Steve Wicker briefly reviewed the SLAIT Financial Statement as of March 31, 2020. He stated that the current fund balance is \$5.7 million. He noted that the updated actuarial estimates that were reviewed at the April Board Meeting are now incorporated into the Statement. Mr. Wicker also noted that the Excess insurance reimbursement receivable is \$12,749,862 and added that an additional exhibit has been prepared this quarter to show this calculation. Mr. Wicker then reviewed the exhibit, noting that the Trust has had twelve claims where the total incurred value exceeded the Trust's self-insured retention, three are closed and nine remain open. He stated that these claims exceeded the self-insured retention by \$17,854,809. Of that amount, \$5,104,947 has been paid to the Trust. The difference, \$12,749,862, is the excess insurance receivable. Of this amount, only the \$2.5 million related to the Moore claim is in dispute. Other reimbursements are being received as expected. A motion was made by Bola Akande and seconded by Matt Conley to accept the Financial Statement as presented. The motion passed.

B. State of Missouri Management Recommendation

Steve Wicker reported that as a result of the recently completed examination by the Missouri Department of Insurance, Financial Institutions and Professional Registration, two management recommendations were made by the Department of Commerce and Insurance. Mr. Wicker stated that the recommendations involve outstanding checks and updating certain Third Party Agreements. He noted that the Board has been furnished a copy of the Recommendation letter and a proposed response adopting a plan to implement the recommendations. After brief discussion, a motion was made by Doug Harms and seconded by Gregory Rose authorizing Barbara Sondag to respond to the State for SLAIT as recommended. The motion passed.

C. Approval of Bills

It was noted that there were two additions for Wellness Reimbursements and a change in the amount payable to Buckley and Buckley. A motion was made by Matt Zimmerman and seconded by Bola Akande to approve the Invoices for Approval listing as revised. The motion passed.

V. Loss Control Report

Travis Bennett reported on loss control activities for the period January 1 to June 1, 2020. Mr. Bennett noted that he had done several training activities with individual Member cities and also had been the speaker at a Missouri Parks and Recreation Association function concerning seasonal employee hiring. In addition, Mr. Bennett stated that he has been adding a lot of Loss Control resources to the SLAIT website and since the Covid-19 shut down and now the beginning of reopening, he has been providing a lot of information to members relative to issues such as reopening swimming pools, summer day camps and opening city halls to the public.

VI. New Business

A. 2020-2021 Liability and Workers' Compensation Renewal

Steve Wicker reported the SLAIT Rate Committee, consisting of Mark Perkins, Bola Akande, and Mike Geisel, is recommending the proposed SLAIT Budget and rates. Mr. Wicker then reviewed the 2020-2021 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 2020-2021 are \$7,380,000, a \$205,000 or 3% increase from a year ago. With expenses and an \$845,000 loss contingency, \$9,500,000 in assessments are required. This is \$450,000 or 5% more than the current year. Mr. Wicker noted that rate increases by individual member vary greatly, from a 21% decrease to a 46% increase, primarily due to changes in experience modification factors. The overall Trust experience modification factor is 1.33. Last year it was 1.30 and payrolls are essentially flat at \$205,000,000.

Steve Wicker then 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 2.4%, the police rate increased 4.5%, parks NOC rate was down 6% and the street construction rate increased by 2.4%. Finally, Mr. Wicker reported that the second injury fund surcharge has been lowered from 3% to 2%, decreasing total workers' compensation taxes from 7% to 6%. This decrease is reflected in the total amount due by member.

Steve Wicker then reviewed the projected revenues and expenses for liability coverage. He reported that expected losses are \$1,760,000, a \$70,000 increase from the prior year. With expenses and a \$175,000 loss contingency, \$2,475,000 in assessments are being made, a \$110,000 or 4.6% increase compared to the current year. Mr. Wicker reminded the Board that an additional \$290,000 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 and will be increasing due to an 8% rate increase in the cost of excess insurance.

Steve Wicker then reviewed the liability premium worksheet by member and reminded the Board that the calculation method is the same as the past two years, with tiered increases based on five year loss ratios. The members were divided into four groups and assigned tiered increases based on this loss ratio. The best tier received 3% increases, the next best tier, a 5 % increase and the next two tiers 10% and 15% increases, respectively. Mr. Wicker noted that more than half of the Trust members received the lowest or 3% increase. In response to a question from Mike Geisel, Mr. Wicker stated that the two dispatch agencies and Clayton Recreation are charged a flat fee, which is unchanged from the current year. After some discussion, a motion was made by Mike Geisel and seconded by Mark Perkins to adopt the rates being proposed for both workers' compensation and liability coverage for SLAIT for the 2020-2021 policy year. The motion passed.

B. 2020-2021 Excess Liability and Workers' Compensation Renewal

First, relative to workers' compensation, John Charpie stated that Thomas McGee had gone directly to Safety National, the current carrier, rather than using Midlands Management which had been used in prior years to access New York Marine and then Safety National as a result of an acquisition. Mr. Charpie noted that Safety National is offering two options to the Trust, one with a 9% rate increase and a total premium of \$1,017,000. A second option includes a communicable disease endorsement and an additional premium of approximately \$80,000. Mr. Charpie noted that the communicable disease endorsement used to be part of the standard policy, but this year that is being changed due to the pandemic. Mr. Charpie added that the definition of communicable disease is such that it would be unlikely that SLAIT would have a claim that qualified as communicable disease. The endorsement would provide one retention for multiple communicable disease events taking place in one location. Mr. Charpie indicated, under these conditions, it would not be his recommendation to purchase the communicable disease endorsement. Finally, Mr. Charpie noted that Safety National has offered a third alternative that would involve them covering worker's compensation only and not being the Trust's excess liability carrier. He stated that this option was approximately \$100,000 more than option one.

John Charpie stated that another issue relative to workers' compensation that the Board should be aware of, is that the self-insured retention currently carried by SLAIT of \$1 million, is less than what the marketplace wants to write. He noted that several years ago, SLAIT tried to raise the retention, but the Division of Workers' Compensation would not permit it. Thus, he had a

conversation with the Division and indicated that while the Trust could keep a \$1 million retention for the coming year, the retention would almost certainly have to be increased in the next year. In response to a question from Mark Perkins, Mr. Charpie noted that since Safety National was the only carrier willing to write a \$1 million self-insured retention this year, negotiations, relative to renewal, were almost exclusively with Safety National and did not include carriers unwilling to write that retention.

John Charpie then reviewed the excess liability insurance quotes. Mr. Charpie noted that the current carrier is Ace/Chubb at a premium rate of \$0.275 per \$100 of estimated payroll for a \$600,000 self-insured retention. Chubb's renewal quote was \$0.31875 per \$100 of payroll or a 16% increase. Mr. Charpie stated that a competitive quote was received from Safety National with a \$600,000 self-insured retention at \$0.297 per \$100 of payroll. Based on the estimated payroll for SLAIT, the Safety National quote is approximately \$575,000 for the 2020-2021 policy year while the ACE/Chubb quote is a little over \$616,000. Mr. Charpie reminded the Board that Safety National is offering a 10% discount on the workers' compensation premium if SLAIT places both coverages with the company. Mr. Charpie also noted that the Safety National excess liability quote includes a rate guarantee for the next policy year. In summary, Mr. Charpie recommended that SLAIT contract with Safety National for both excess liability and excess workers' compensation since placing the liability insurance with Safety National saves the Trust approximately \$40,000 in liability premium this year and \$100,000 in excess workers' compensation premium.

Bola Akande asked if there were any other quotes received for excess liability insurance. John Charpie stated that there were not and further described the marketing process that his company used. He added that the first step in the marketing process is to see what carriers might be interested in quoting and letting all carriers know what current pricing is to give them an idea of whether or not they can be competitive. From those initial contacts, companies that have interest are identified and they are then the ones with which negotiations take place. Mr. Charpie added that he would revise the excess quote worksheets by adding the names of all companies that were contacted as part of the marketing process. Also, in response to a question, it was noted that the payrolls for workers' compensation and liability coverage are different because the cities of Ferguson and Eureka do not receive liability coverage from SLAIT. Barbara Sondag asked if these quotes could be received any earlier. John Charpie noted that receiving them this early for this year has actually been a problem with the Covid-19 situation and some social unrest. A motion was then made by Mark Perkins and seconded by Mike Geisel to accept the Safety National Option 1 for excess workers' compensation coverage and the Safety National Option 2 for excess liability insurance. The motion passed.

#### C. Discussion – Insured Coverages

Becky Redfering reported briefly upon the status of the insured coverages renewal at this time. She noted that Public Official liability coverage will be renewed with Greenwich with slight

premium increases, usually between 3-5% per member city. In addition, cyber liability coverage will be renewed with BCS and at rates similar to expiring.

Relative to Property coverage, Becky Redfering reported that the situation is much more complicated. The current carrier, Chubb, is looking for premium increases in the 10-15% range and in addition, is raising the wind/hail deductibles for members' auto fleets and certain identified buildings. Ms. Redfering added that a survey of the marketplace shows that most carriers are not willing to compete with Chubb even at these increased rates and deductibles. Only one other carrier, Selective, is interested in any members' coverage and their interest is limited to those members with excellent loss ratios over the past five years. Thus, some cities will probably receive an alternative quote from Selective, while others will not. In response to a question from Mark Perkins concerning timing, Ms. Redfering noted that, unfortunately, to get the best possible deal for each member, it may take until the end of the month. She added that she will work with each city to provide as much information as possible, at the earliest possible date concerning what final pricing will look like. In response to a question concerning why the larger than normal rate increase and the increase in deductibles, Ms. Redfering stated that it is an industry-wide situation, particularly relative to storm losses. She added that all carriers are trying to substantially increase wind/hail deductibles. Mr. Wicker reminded the Board that property coverage is placed on a fully insured basis and thus it is possible that member cities might receive their best quotes from different carriers. Mr. Wicker added that with these much higher deductibles and the significant premium increases, now might be a good time for the Board to revisit self-insuring or joint purchasing property coverages.

#### D. Discussion – Strategic Planning Priorities

Steve Wicker summarized his memo on SLAIT priorities relative to feedback received from Board members on a survey taken in March. First, Mr. Wicker addressed the financial aspects of the Trust, noting nearly the entire Board ranked this as their number one priority. Mr. Wicker indicated that the current path being followed on finances was deemed appropriate and reminded the Board that based on June 30, 2020 data the current financial status of each SLAIT coverage area will be determined, along with each members status overall.

Second, Steve Wicker stated that self-insuring property was identified by some Board members as an area of future study. He added that with the hardening of the fully insured property market this year, this is probably an issue that is becoming a higher priority. Relative to liability rating, the health plan and growth of the Trust, Steve Wicker stated there was little interest on the part of Board members in changing current practices.

Finally, Steve Wicker stated that succession planning was identified by Board members as the second most important priority behind financial considerations. Mr. Wicker also reported that one Board member indicated that a strategic planning process might be appropriate and that if implemented, it should include all SLAIT members, not just the Board of Directors.

Mark Perkins stated that he thinks the Board should definitely explore property coverage alternatives. This should be one of the highest priorities based on the current property marketplace and the fact that SLAIT members pay substantial property premiums. Barbara Sondag agreed with Mr. Perkins and asked how the Board would like to pursue this issue. It was noted that current property premium for SLAIT members was approximately \$3,000,000, slightly more than liability premiums. Doug Harms suggested that representatives from Thomas McGee and Daniel and Henry put together a report outlining pros and cons for self-insuring property and providing alternatives to the current system. He reminded the Board that part of the reason property has not been self-insured previously by SLAIT is because of the high concentration of SLAIT members' property and the impact that one catastrophic occurrence could have on total losses. After some brief discussion, it was the consensus of the Board, that Thomas McGee and Daniel and Henry should provide a report on property options to the Board for review at its next meeting. The intent would be for the Board to decide at that time if it wished to proceed further on any alternatives to having each member insure its own property in the standard market.

Barbara Sondag then asked for Board members' thoughts on succession planning and Gregory Rose asked, as a relatively new Board member, why this issue was being discussed. Steve Wicker stated that the issue was raised in the Charlesworth Consulting Report, primarily due to Mr. Wicker's age and the fact that he serves as Executive Director to the Trust. Mr. Wicker added that he no longer works full time and only works on the SLAIT account.

Doug Harms stated that he feels the primary issue is how SLAIT evolves with Mr. Wicker not performing most of the day to day tasks of administration. Mr. Harms added that another Trust in Missouri, MIRMA, operates with its own staff and that staff contracts with insurance professionals for insurance expertise.

Mark Perkins stated that there seems to be more issues involved in a discussion of succession planning, than simply succession planning. He noted that these discussions almost always get into other aspects of how the Trust operates and added that perhaps the Board needs additional professional assistance on how to plan for the future. He stated that more than 30 years have passed since SLAIT began and perhaps a strategic planning process would be appropriate. Bob Shelton agreed with Mr. Perkins, noting that the current SLAIT organization is unique and adding that even relative to accounting aspects for the Trust, there currently seems to be disagreement among Board members on whether all coverages should be combined or accounted for separately. Mr. Shelton stated that this is an example of an issue that continues to be discussed without resolution.

Barbara Sondag reminded the Board that following the Charlesworth Report, a meeting of the Board was held to determine next steps, but since Better Together had ramped up, it was decided to put that discussion on hold. She noted that relative to this issue, the Board is essentially back to where they were a couple of years ago. Bob Shelton stated that he believed the insurance

consultant route has probably been exhausted and stated that he would not use Charlesworth again. Gregory Rose suggested that perhaps an organizational consulting firm might be more useful than an insurance specific one and Mike Geisel stated that he would like some legal guidance relative to any restrictions that the Board might have relative to use of funds by coverage. Steve Wicker stated that he would have Martin Buckley review this issue and make that part of the financial impact review. After some additional discussion, it was the consensus of the Board that in addition to the financial information discussed and planned for its review, the Board would like for Steve Wicker to outline organizational alternatives for SLAIT. It was noted that this item should be placed on the next agenda. Amy Hamilton requested that should any of these reports, the property proposal and/or the organizational review, be completed prior to the meeting that they be provided to Board members as early as possible to allow adequate time to review prior to the meeting. Mr. Wicker indicated that would be done.

E. Payroll Audits

Steve Wicker reported that The Audit Store is quoting a rate of \$235 per audit. Mr. Wicker stated that a second quote of \$95 per hour was received from Overland Solutions. 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 Bola Akande and seconded by Doug Harms to use the Audit Store at a price of \$235 per audit to perform payroll audits for SLAIT for the 2019-2020 policy year. The motion passed.

F. Appointment of Nominating Committee

Barbara Sondag stated that four Board terms expire on July 1, 2020, and 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 Amy Hamilton, Gregory Rose and Bob Shelton 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 one year. It was also noted Steve Wylie may be retiring from the City of Webster Groves shortly. It was suggested that the Nominating Committee address that Board vacancy, if it occurs.

G. Next Meeting Date

The next Board Meeting was scheduled for Thursday, September 17, 2020, at a location and time to be determined. The Board Meeting will be held prior to the Annual Meeting scheduled for that same date. It was noted that the City of Olivette meeting space would not allow for social distancing. Doug Harms volunteered to reserve space at the Des Peres Lodge should a meeting with social distancing be possible by that date.

H. Other Business

There being no other business, the meeting adjourned at 12:02 p.m.

Submitted by: Stephen D. Wicker

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