

ST. LOUIS AREA INSURANCE TRUST

A Self-Insurance Pool

ST. LOUIS AREA INSURANCE TRUST BOARD OF DIRECTORS' MEETING

MINUTES

September 17, 2020

- I. A meeting of the Board of Directors of the St. Louis Area Insurance Trust was held on Thursday, September 17, 2020, via Video Conferencing. The meeting was called to order at 10:02 a.m. by Chairperson, Barbara Sondag.

Attendance was as follows:

<u>Board Member</u>	<u>Attending</u>	<u>City</u>
Eric Serman	Y	City of Ballwin
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 Wicker	Y	The Daniel and Henry Company
George Liyeos	Y	The Daniel and Henry Company
Becky Redfering	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. Election of Officers and Recommendation to fill unexpired term of Steve Wylie

Amy Hamilton, Chairperson of the Nominating Committee, which consisted of Gregory Rose and Bob Shelton, reported on the Committee's recommendations. She stated that the Committee is recommending Eric Serman to fill the unexpired term of Steve Wylie. The unexpired term expires

on July 1, 2021. A motion was then made by Mike Geisel and seconded by Gregory Rose to approve the appointment of Eric Sterman to the Board of Directors for a term expiring July 1, 2021. The motion passed.

Amy Hamilton then reported that the Nominating Committee is recommending the current officers be appointed for another year. These officers are Barbara Sondag, Chairperson, Bola Akande, Vice Chairperson and Dave Watson, Secretary-Treasurer. A motion was made by Mike Geisel and seconded by Gregory Rose to approve the officer recommendations made by the Nominating Committee. The motion passed.

III. Approval of Minutes from June 4, 2020 Meeting

Barbara Sondag asked for any additions or corrections to the Minutes from the June 4, 2020, Board Meeting. There being none, a motion was made by Amy Hamilton and seconded by Matt Conley to approve the Minutes of the June 4, 2020, meeting as presented. The motion passed.

IV. Claims Administration Report

Steve Wicker stated that this quarter he was only providing a list of open workers compensation claims with a total incurred value greater than \$100,000 instead of a narrative for each claim of that value. He stated that this would be a more user-friendly report that would still allow the Board to focus on the number of large claims and the cause of those large claims. Mr. Wicker pointed out that the report includes 50 claims this quarter, up from 43 last quarter. 11 new claims were included in the report, 3 claims were closed and 1 claim included in the last report is now valued at less than \$100,000. He noted that of the 11 new claims, 5 involved firefighters, 3 involved police officers and the 3 other claims were to an auto mechanic, street maintenance worker and recreation employee. It was also noted that if additional information on any of the claims listed on the report is needed, Board members could consult the claims system itself.

Relative to liability claims, Steve Wicker reported that there were no claims requiring settlement approval. He added that he had spoken with the attorneys handling the municipal court cases against the cities of Ferguson, St. Ann and Maplewood and was informed that the cases were moving somewhat slowly due to the Covid-19 situation, but added that briefs would be due at the end of October in the Maplewood case relative to whether or not a class will be certified.

V. Financial Report

A. Review of Financial Statement as of June 30, 2020

Steve Wicker briefly reviewed the financial statement, noting that the fund balance at year-end was \$6.4 million, an increase of approximately \$500,000 from one year ago. Mr. Wicker noted that some years that still have fund balance are not included on the financial statement due to

space limitations on the statement. He added that those balances are included on the balance sheet and are part of the \$6.4 million in surplus.

B. Review of By Member, By Coverage, Fund Balance Summaries

Steve Wicker summarized the By member, By coverage Fund Balance Summaries as of June 30, 2020. He stated that a legal opinion relative to the Board's discretion in handling the finances of the trust is still being worked on and indicated he would forward it to the Board when available. Relative to the fund balance information, Mr. Wicker stated that the summary by municipality provides the current position by member for the total fund balance of \$6,378,198. Of the 26 member cities, 17 are in a net surplus position and 9 are at a deficit. He added that membership in the health plan determines whether a member is in a surplus position or not. The 15 cities that joined the health plan at its inception are all in a surplus position as are Ferguson and St. Ann, which joined health coverage in late 2011 and 2013 respectively. Mr. Wicker also noted that the individual schedules identify problem years for SLAIT coverages with worker's compensation coverage having issues in the most recent years and liability having negative fund balances in the 2014-15 and 2011-12 policy years. Finally, Mr. Wicker added that these surplus positions were determined in the same manner as surplus has been distributed in past years, with surplus and deficits by member calculated on a pro rata basis using policy year premiums.

Dave Watson stated that the current year worker's compensation IBNR is higher than many prior years even though the number of claims are relatively flat. Mr. Watson asked if that IBNR was perhaps overstated. Steve Wicker stated that he felt that it could be somewhat overstated, but added that based on recent years results, many have developed worse than expected. It was noted that the IBNR is determined by the Trust's actuaries and is updated annually.

In response to a question from Doug Harms, Steve Wicker stated that the surplus numbers include the excess reimbursement receivables that are expected from the reinsurance companies for claims that exceeded the Trusts self-insured retention. In response to a question from Bola Akande, Mr. Wicker pointed out that there is no intention to distribute the surpluses that are identified on this worksheet at this time. The purpose of the exercise is to allow the Board to plan how to address future surplus distributions or assessments, if needed. Mr. Wicker stated that in his opinion, the way to view the distributions is that these are the amounts each member city would receive from the Trust if SLAIT ceased to exist at this time.

Steve Wicker added that he believes the next step should be to distribute surplus and make assessments relative to the older worker's compensation and liability years that have zero or very few open claims. He stated that his idea would be to make changes that would have no impact on the individual member by having the surplus distributions and assessments be equal for each individual member. There being no objection to this process from the Board, Mr. Wicker stated that he would prepare such a proposal for the next meeting.

A discussion was then held on how assessments or deficits could be handled, if necessary. It was noted there are essentially two ways to remedy a deficit, assessments or additional premium designated to close the deficit, similar to the manner that a pension fund resolves underfunding. John Charpie added that a third option is available, which is to slightly increase premiums for a few years, realizing that losses are cyclical and that some good years will probably follow the bad years.

Discussion then took place relative to whether a subcommittee should be formed to further study this issue. After much discussion, Gregory Rose made a motion to form a subcommittee to study the financial status of the Trust and identify options available relative to any deficits that have occurred and to identify when it would be appropriate for the Board to take action on such deficits. The motion was seconded by Mike Geisel and the motion passed. A subcommittee of Gregory Rose, Chairperson, Matt Conley, Mike Geisel, Doug Harms and Barb Sondag was then appointed.

C. Approval of Bills

A motion was made by Doug Harms and seconded by Matt Zimmerman to approve the Invoices for Approval listing as presented. The motion passed.

VI. Loss Control Report

Travis Bennett reported on the loss control activities delivered to the Trust for the period June 1 to September 1, 2020. Mr. Bennett noted that a dashboard report specific to each member for auto, general and police liability has been developed and will be provided on a quarterly basis to each member city. In addition, he has rolled out a driver training program developed by Safety National, aimed at creating defensive driving behaviors for police, fire, and EMS employees. Also a safety skills program provided by Safety National has been communicated to each member. This program provides online safety training and has a human resources component. In addition, Mr. Bennett stated that he has provided specific loss control documents to the SLAIT website and attended safety committee meetings in various locations. Also, a web-based OSHA seminar will be held on October 1 and 2 via Zoom. It was noted that there are still a few open spots relative to this opportunity. Finally, Mr. Bennett added that a weekly webinar series has been developed specifically to provide timely reminders relative to safety issues in this time where face-to-face meetings have become difficult. Currently this webinar series is scheduled to run from the end of September through the end of December.

VII. Health Insurance Report

A. First Quarter Developments

Jill Newman reported that the July 1 renewal occurred without any major issues and the open enrollment period associated with renewal was also uneventful. Ms. Newman then stated that the

wellness coordinators will be meeting next week and noted that the Agenda includes providing information relative to the impact of Covid-19 on the Trust, an update on a marketing effort to get more members involved with Live Health Online and an update on the biometric screenings being offered by SLAIT through H&H. Relative to Covid-19, Ms. Newman added that there have been relatively few positive cases among the SLAIT members, less than 100 and that only two SLAIT members have required hospitalization from the virus. Finally, Ms. Newman noted that the coordinators will review the wellness reimbursement program from the 2019-2020 policy year and discuss any changes that might be needed.

B. Surplus Distribution

Steve Wicker reminded the Board that the distribution of surplus was approved by the Board at its meeting in April. He added that the checks have been prepared and will be signed subsequent to this meeting and then distributed. He noted that no other action is required by the Board and that a list of surplus amounts by member has been provided in the packet.

VIII. Old Business

A. Discussion - Property Coverage Options

John Charpie reviewed the SLAIT Property Feasibility Study he prepared. First, he reviewed the total incurred losses for SLAIT property for the years 2011-2012 through 2019-2020. He noted that over this nine-year period, SLAIT members had three relatively good years, four average years and two very bad years from a loss standpoint. He noted that had this property been self-insured during these nine years, the three good years would have been profitable, the two bad years would have been very unprofitable, and the others would have had breakeven results. He added that in total, a self-insured property program would have been close to breakeven from a financial standpoint for the nine years reviewed. Mr. Charpie added that for this time period the loss ratio for the fully insured program that SLAIT members now participate in has been 58%, which is approximately the industry standard for a carrier to breakeven.

John Charpie then explained how a self-insured property program would be structured. He noted that such a program would be just like the other programs SLAIT offers, a self-insured retention amount would be determined and excess insurance would be purchased over that retention amount. Mr. Charpie added that retentions would probably be either \$100,000, \$250,000 or \$500,000 and noted that the cost of excess insurance would vary based on the retention chosen. Mr. Charpie then reviewed graphs showing how these various retention's would have operated from 2011 through 2020. Finally, Mr. Charpie stated that since excess carriers change their rates effective January 1, it is his recommendation that the Board wait until January to get indications for what changes will be made to fully insured rates for SLAIT members in 2021 and then base further study of a self-insurance program on those anticipated changes.

Dave Watson asked how sure we are that the insured values that we are using are accurate. John Charpie noted that these are the values provided by members to Daniel and Henry on an annual basis and Steve Wicker added that the values are not substantiated each year by outside parties, but are simply a member's best guess.

Dave Watson also asked whether the property losses could be divided into rolling stock versus facilities. John Charpie stated that the information is available and added that he had not done that kind of analysis at this time. He stated that if a decision is made to look further into the self-insurance option that kind of breakout would be very appropriate to assess, in addition to taking a look at what deductibles should be charged relative to the various types of property. Mark Perkins stated that waiting for the next renewal means that there would be a relatively short time to make such a decision since final property quotes are usually released just prior to renewal. Mr. Charpie agreed and clarified that his recommendation concerning possibly self-insuring the property is aimed at when indications are received from fully insured carriers. He noted that this information should be available sometime in February or March, providing adequate time to review all options.

B. Discussion – Organizational Options

Steve Wicker reviewed his memorandum relative to organizational structure. He noted that he had taken a brief look at MIRMA, and stated that the employee model followed by MIRMA is more expensive than the broker administrator one that SLAIT has operated under since 1986. Steve Wicker then stated that another available option would be to assemble an RFP and provide it to various qualified organizations, or a second alternative and the one that he recommends, is a partnership between Daniel and Henry and Thomas McGee. John Charpie would become the primary administrator for the Trust with Mr. Wicker providing consulting advice on an as-needed basis. Mr. Wicker noted that Mr. Charpie is and has been the administrator for numerous self-insured groups similar to SLAIT, and has relationships with the governing bodies that SLAIT reports to. Mr. Wicker added that if this arrangement were tried and found not to be effective, the Trust could still prepare an RFP.

Bob Shelton stated that he supports this recommendation and indicated that he believes a subcommittee should evaluate the recommendation and report back to the Board at its next meeting. He volunteered to chair this committee and a committee of Bob Shelton, Bola Akande, Mark Perkins and Matt Zimmerman was appointed to further investigate this proposed organizational structure. Barbara Sondag stated that as chairperson, she would also try to attend meetings of the Committee.

IX. New Business

A. Approval of Loss Control Agreement with Thomas McGee

Steve Wicker stated that the loss control agreement formalizes the arrangement begun last year with Thomas McGee now providing loss control to the Trust. He noted that the \$50,000 fee is what was being charged by Daniel and Henry, so there is no change in cost to the Trust. Matt Zimmerman stated that he noted in the contract that disputes would be settled under Massachusetts law and added that he believed that was not legal in Missouri. He asked if disputes could be settled in Missouri. John Charpie agreed to change that portion of the agreement. A motion was then made by Doug Harms and seconded by Matt Zimmerman to approve the Loss Control Agreement with Thomas McGee. The motion passed.

B. Next meeting date

The next board meeting was scheduled for Thursday, January 7, 2021 at a location to be determined.

C. Other Business

There being no other business, the meeting adjourned at 11:32 a.m.

Submitted by: Stephen D. Wicker

Approved by: _____