

ST. LOUIS AREA INSURANCE TRUST

A Self-Insurance Pool

ST. LOUIS AREA INSURANCE TRUST BOARD OF DIRECTORS' MEETING

MINUTES

January 7, 2021

- I. A meeting of the Board of Directors of the St. Louis Area Insurance Trust was held on Thursday, January 7, 2021, 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>
Eric Sterman	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	N	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. Approval of Minutes from September 17, 2020 Meeting

Barbara Sondag asked for any additions or corrections to the Minutes from the September 17, 2020, Board Meeting. There being none, a motion was made by Matt Conley and seconded by Gregory Rose to approve the Minutes of the September 17, 2020, meeting as presented. The motion passed.

III. Claims Administration Report

Due technical difficulties on ZOOM Call connection with Steve Wicker, Barbara Sondag asked Travis Bennett to provide the Loss Control Report at this time.

V. Loss Control Report

Travis Bennett then reported on Loss Control activities for the last quarter of 2020. He stated that activities included an OSHA program presented in a webinar format and noted that weekly webinar's were started in the month of December. Mr. Bennett added that a safety skills program was also rolled out and noted that driver training for Police and Fire personnel has also been made available recently. He added that Thomas McGee would be sponsoring a webinar relative to employment and employee issues and COVID-19 vaccinations. He encouraged everyone to take part in this webinar.

Travis Bennett also noted that based on the higher than expected workers compensation losses for the first six months of the policy year, he has been providing and will continue to provide dashboard reports to each member and analyze losses recently experienced by those members. He noted that in his meetings with members he would focus on the causes of loss of large claims. Mr. Bennett added that a loss cause that was unexpected when assumptions were made for the current policy year is COVID related claims. Mr. Bennett stated that for the first six months of the current policy year, the Trust has experienced approximately \$890,000 in total incurred value relative to COVID claims, nearly all in the police and fire departments. It was noted that for first responders, COVID-19 is considered to be a work related disease, as it was declared such by the Governor of Missouri in the emergency declaration relative to COVID-19.

In response to a question from Doug Harms, Steve Wicker noted that COVID claims are relative to frequency and severity, very similar to all other workers compensation claims. He noted that while there have been 60 or 70 COVID claims from the SLAIT membership, most have been relatively inexpensive, as the disease does not cause any particular medical issues. However, there have been a couple of serious claims that required hospitalizations and it's those claims that drive most of the \$890,000 total incurred value. John Charpie emphasized to the Board, the fact that the COVID claims and costs were unexpected for this policy year from the standpoint that when the actuarial report estimated 2020-21 workers compensation claims, COVID claims were not even known about. Thus, the frequency and severity were both not accounted for in the current budget or claims projections.

Mike Hanson added some medical claims information to the COVID-19 discussion. He noted that over half of the confirmed cases of COVID in the health plan had occurred in the months of November and December, which seems to confirm that the second wave of the disease in the St. Louis area has been worse than the first. He added that as of the end of December 2020, the Trust had had 10 in patient stays for COVID-19 disease and the average cost of hospitalization was \$78,000. Mr. Hanson also noted that COVID claims at this point in time are nearly \$1 million in

total incurred value and stated that there are several large claims that are not a part of that calculation. In comparison, Mr. Hanson stated that the highest cost condition normally in the health plan would be diabetes, which costs the Trust approximately \$1.2 million per year. Thus, COVID will be the highest cause of loss for the current policy year and will have an impact on rates for the 2021-22 policy year.

Steve Wicker then reported the workers compensation results for the first five months of the policy year have been significantly worse than expected. He noted that large open claims have increased from 47 to 56 over the past quarter, with 18 new claims being added to the listing with a total incurred value of approximately \$2.8 million. Only nine large claims were closed. Mr. Wicker added that all departments experienced large claims during the past quarter.

IV. Financial Report

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

Steve Wicker briefly reviewed the financial statement, noting that the current fund balance is \$7.2 million, an increase of approximately \$800,000 since the last quarter. Mr. Wicker noted that the increase in fund balance was due to results for the current policy year, which are accounted for according to the Budget. He added, as noted in the claims discussion, the results for the current policy year will probably be worse than expected. A motion was made by Doug Harms and seconded by Matt Zimmerman to accept the financial statement as presented.

B. Approval of Bills

A motion was made by Eric Sterman and seconded by Gregory Rose to approve the Invoices for Approval listing as presented. The motion passed.

C. Review of Financial Audit for the year ended June 30, 2020

Steve Wicker reported that the Trust received a clean opinion relative to the Financial Audit of the 2019-2020 policy year. He noted that the only change to the Financial Statement was to include the results of the payroll audits and added that the fund balance increased by approximately \$200,000 during the policy year. A motion was made by Mike Geisel and seconded by Gregory Rose to accept the 2019-2020 Financial Audit as presented. The motion passed.

D. Committee on Finances

Gregory Rose, Chairperson of the Committee on Finances, briefly described the Committees' work. He stated that the Committee was assigned two tasks; the first was to determine if the revised Financial Statements are adequate for the Board's purposes. He noted that the Committee had determined that they are. Second, the Committee was tasked with evaluating the current

financial position of the Trust, particularly relative to the worse than expected results that have occurred in workers compensation coverage over the past several years. Concerning this second task, the Committee is making three recommendations to the Board. First, rates for 2021-22 should be set at a level to ensure that the accumulated deficit is not increased, taking into account the fact that actuarial projections for expected losses for the past several years have been less than the actual losses. Second, SLAIT should develop a recovery plan to address recent year's workers compensation deficits over a ten year time period with slightly higher rates than would otherwise be needed. Finally, the Committee is recommending that the plan for additional workers compensation premiums be timed with distributions from health plan surpluses to alleviate some of the negative financial impact on most members. Finally, Mr. Rose thanked the members of the Committee, Matt Conley, Mike Geisel, Doug Harms and Matt Zimmerman for their hard work. It was also noted that Chairperson Barbara Sondag met with the Committee on an ex-officio basis.

In a response to a question from Barbara Sondag, Gregory Rose stated that the Committee is willing and would like to stay together to continue to address these problems in a systematic and all encompassing fashion. Steve Wicker added that what might be a concept is for this Committee to serve as the Rate Committee for at least the coming year since the rate committee is the place where final rates are determined and recommendations on surplus distribution are made. Barb Sondag added that she did hear from Amy Hamilton via email, since Amy is not able to attend today's meeting, that Amy was in favor of all the Committee's recommendations.

Mark Perkins asked how the Committee planned to address its first recommendation relative to the 2021-22 workers compensation rates. Doug Harms noted that for the 2014-15 policy year to the 2018-19 policy year, workers compensation results have been negative for all five policy years with the smallest deficit being approximately \$500,000 and the largest slightly over \$4,000,000. Thus, he believes the Trust needs to fund for the actuarial projection, plus a loss contingency, plus an additional amount, as it appears that the actuarial projections have been underestimating actual losses. Steve Wicker agreed with Mr. Harms, noting that the rate setting process is to use the projected losses computed by the actuary and add a loss contingency of approximately 10% to create the workers compensation loss fund. As Mr. Harms noted, this has not created an adequate loss fund in several of the past policy years. It was also noted that the current policy year will probably end with a deficit in the \$1 million range as COVID cases were not part of the actuarial projection used to set rates last year. Following some additional discussion, it was the consensus of the Board that the recommendations of the Committee on Finances relative to workers compensation should be followed beginning with the 2021-22 policy year.

A discussion was then held relative to the Excess Insurance Reimbursement Receivable. Steve Wicker reminded the Board that the receivable reflects claims that are valued higher than the self-insured retention, meaning that the excess insurance carrier will pay once the Trust has paid the self-insured retention. For example, a claim with a \$4 million total incurred value and a \$1 million self-insured retention would have an excess insurance receivable of \$3 million. After some discussion, Mr. Wicker stated that he would prepare by claim the current status of the

receivable and provide that to the Board prior to its next meeting. It was noted that there are only about ten claims involved, mostly workers compensation claims, but also some liability claims.

Following additional discussion, a motion was made by Mark Perkins that the recommendations made by the Committee on Finances be adopted by the Board and that the Committee on Finances with the addition of Dave Watson be the Rate Committee for SLAIT relative to health, workers compensation and liability renewals for the coming policy year. The motion was seconded by Matt Conley. The motion passed. It was also noted that Barbara Sondag would continue to serve on the Committee as an ex-officio member.

VI. Health Insurance Report

A. Plan Status as of December 31, 2020

Steve Wicker reported that as of December 31, 2020, the health claims are as expected. However, as previously discussed in the meeting, if COVID claims are going to make an impact on this year's policy losses, it appears it will be within the next 2-3 months. Thus, claims could end up to be more than expected. Mr. Wicker noted that the health plan does budget a loss contingency, which this year is approximately \$1 million, so hopefully claims will not exceed the budgeted amount.

B. Discussion 2021-2022 Rates

Barb Sondag noted that the Committee on Finances with the addition of Dave Watson has been selected to be this year's Rate Committee. Steve Wicker reminded the Board that the health plan rates are prepared for the meeting in April and thus a meeting to review proposed rates will be necessary some time in the middle of March. It was also noted, that in addition to rates, the Committee will make a recommendation relative to distribution of prior years' health plan surplus.

C. Report on Wellness Activities

Jill Newman reported that the last Wellness Coordinators meeting was held on December 15, 2020 via ZOOM. She stated that quite a bit of time was spent reviewing COVID-19 claims data and how COVID testing and other COVID related issues are being handled by the Trust. She noted that members of the health plan experienced no costs related to COVID-19 related medical claims, as even co-pays have been waived during the pandemic. The Coordinators also reviewed the results of the live health on line campaign that was completed in October 2020. Ms. Newman noted that there were an additional 123 sign ups as a result of this campaign. In addition, the group reviewed a new program called Healthy Bites. This program provides, at no cost to the member, dietician guidance through on-site visits, although at this time visits have to be virtual. Finally, Ms. Newman reported that the Coordinators with the assistance of Daniel and Henry are

looking at the possibilities of providing ancillary coverages to SLAIT members. In response to a question from Doug Harms, Ms. Newman stated that the concept is simply to provide greater numbers to the ancillary markets than any individual SLAIT member city has and to hopefully be able to get discounts from the providers based on additional lives. She added that the intent is not to go through SLAIT, but to allow each city to decide whether or not it wishes to participate. Ms. Newman added that all SLAIT member entities were offered a chance to participate in the program and there were 11 members that showed interest and have provided the data necessary to market the group.

VII. Old Business

A. Transition Subcommittee Report

Bob Shelton reported that a draft RFP has been received from Charlesworth Consulting and is being reviewed by the Transition Subcommittee. Mr. Shelton noted that the tentative schedule is to have the RFP distributed to possible responders by February 1, with the proposals returned by March 5. Finally, selected firms will be interviewed with the goal of making a final decision at the regularly scheduled April board meeting. Barb Sondag thanked the Committee for its work and noted that Bob Shelton has put in a tremendous amount of time to get the Trust to this position.

B. Property Coverage

John Charpie reminded the Board that an analysis of the impact of self-insuring property was presented at the September meeting and noted that the conclusion was that self-insurance would have been a break-even proposition for the Trust over the past 10 years. He stated that property carriers are currently finalizing their reinsurance agreements and thus in the next 30 days or so, we should be able to get an idea as to the kind of rate increases the carriers are looking for during 2021 and also what kind of increases in deductibles might be occurring. Mr. Charpie noted that as deductibles increase, the concept of self-insuring is more of an alternative since retentions by the Trust would be decreased. Doug Harms asked what the process would be to add property insurance to SLAIT. Steve Wicker stated that current state regulation and the SLAIT By-Laws allow the Board to add coverages to the Trust. Thus, there is no impediment from that standpoint. However, it was also noted by several people that adding the coverage to the Trust while going through the process of selecting a service provider would probably be very difficult. Dave Watson asked if it might make sense to self-insure buildings while leaving rolling stock with a fully insured carrier. John Charpie responded that it would be possible, but that it might be difficult to find a fully insured carrier willing to cover autos only.

C. City of Shrewsbury Membership Request

George Liyeos updated the Board on the City of Shrewsbury request to become a SLAIT member. Mr. Liyeos stated that nothing has changed at this time relative to the initial request and stated that the Shrewsbury Board has the issue on its agenda for its meeting next Tuesday. Mr. Liyeos added that he would let the SLAIT Board know the results of that meeting.

Steve Wicker stated that he would like to make sure that Daniel and Henry representatives are following the Board's directive on this issue as it was intended. He added that based on the motion at the last Board meeting, his thought is that the City of Shrewsbury would be allowed to join the Trust, basically at any time over the next several weeks or months so long as the City appoints a non-elected official to the position of City Administrator. After a brief discussion, the Board reaffirmed that the City of Shrewsbury is acceptable to the Trust for all coverages pending the appointment of an unelected official to the position of City Administrator, which is currently an open position at the City. It was noted that Chairperson Sondag has been provided authority by the Board to determine if and when this requirement has been met.

VIII. New Business

A. Discussion 2019-2020 Payroll Audit

Steve Wicker stated that the payroll audits for the 2019-2020 policy year have been completed. He noted on the Payroll Audit Summary that the result was a more than \$200,000 reduction in workers compensation revenue to the Trust.

B. Next Meeting Date

The next board meeting was scheduled for Thursday, April 1, 2021 at a location to be determined.

C. Other Business

There being no other business, the meeting adjourned at 11:35 a.m.

Submitted by: Stephen D. Wicker

Approved by: _____