

ST. LOUIS AREA INSURANCE TRUST

A Self-Insurance Pool

ST. LOUIS AREA INSURANCE TRUST BOARD OF DIRECTORS' MEETING

MINUTES

June 3, 2021

- I. A meeting of the Board of Directors of the St. Louis Area Insurance Trust was held on Thursday, June 3, 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	N	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
John Charpie	Y	Thomas McGee Group

- II. Approval of Minutes from April 1, 2021 Meeting

Barbara Sondag asked for any additions or corrections to the Minutes from the April 1, 2021, Board Meeting. There being none, a motion was made by Mike Geisel and seconded by Gregory Rose to approve the Minutes of the April 1, 2021, meeting as presented. The motion passed.

III. Claims Administration Report

Steve Wicker reported on workers' compensation claims greater than \$100,000. He noted that there are now 54 open claims, down from 59 last quarter. Five new claims occurred since the last meeting and nine were closed and one is now valued at less than \$100,000. Of the five new claims, three involved fire fighters, one a police officer, and one was a street maintenance employee. Causes of loss were lifting, fire training and an altercation with a suspect.

IV. Financial Report

A. Review of Financial Statement as of March 31, 2021

Steve Wicker briefly reviewed the SLAIT Financial Statement as of March 31, 2021. He stated that the current fund balance is \$2.2 million and noted that the updated actuarial estimates that were discussed at the April Board Meeting are now incorporated into the Statement. It was noted that the fund balance decreased by approximately \$4.5 million as a result of the actuarial valuation. A motion was made by Gregory Rose and seconded by Matt Conley to accept the Financial Statement as presented. The motion passed.

B. Approval of Bills

It was noted that one additional invoice needed to be added to the invoices for approval listing, an invoice in the amount of \$997.50 from Martin Buckley for legal services in May. A motion was made by Amy Hamilton and seconded by Gregory Rose to approve the Invoices for Approval listing as revised. The motion passed.

V. New Business

A. 2021-2022 Liability and Workers' Compensation Renewal

Steve Wicker reported the SLAIT Rate Committee, consisting of Gregory Rose, Matt Conley, Mike Geisel, Doug Harms, Dave Watson and Barbara Sondag, is recommending the proposed SLAIT Budget and rates. Mr. Wicker then reviewed the 2021-2022 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.

Steve Wicker then reviewed the projected revenues and expenses for liability coverage. He reported that expected losses are \$1,715,000, a \$45,000 or 2.6% decrease from the prior year. With expenses and a \$202,500 loss contingency, \$2,515,000 in assessments are being made, a \$40,000 or 1.4% 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 approximately the same as last year.

Steve Wicker then reviewed the liability premium worksheet by member and reminded the Board that the calculation method is the same as the past three years, with tiered increases based on five year loss ratios. The members were divided into three groups and assigned tiered increases based on loss ratio. The best tier received no increase, the next best tier, a 2.5 % increase and the worst tier, a 5% increase. Mr. Wicker noted that more than half of the Trust members received no increase. It was also noted that the two dispatch agencies and Clayton Recreation are charged a flat fee, which is unchanged from the current year.

For workers' compensation, Mr. Wicker stated expected losses for 2021-2022 are \$9,465,000, nearly \$2.1 million or 28% higher than a year ago. With expenses and a \$147,500 loss contingency, \$11,640,000 in assessments are required. This is \$2,140,000 or 22.5% more than the current year. Mr. Wicker noted that rate increases by individual member vary greatly, from a 38% decrease to a 52% increase, primarily due to changes in experience modification factors. The overall Trust experience modification factor is 1.31. Last year it was 1.33. Payrolls are up approximately 2% to \$208.7 million.

Steve Wicker added that he is comfortable with a slightly smaller loss contingency than usual this year because the actuary did not take into account the impact of COVID-19 on this year's results. Mr. Wicker noted that the Trust experienced 178 COVID claims with a total incurred value of \$960,000. Finally, Mr. Wicker reported that the second injury fund surcharge, which was lowered from 3% to 2% a year ago, remains at 2% this year. Thus, total workers' compensation taxes remain at 6%.

After some discussion, a motion was made by Amy Hamilton and seconded by Matt Zimmermann to adopt the rates being proposed for both workers' compensation and liability coverage for SLAIT for the 2021-2022 policy year. The motion passed.

B. 2021-2022 Excess Renewal

John Charpie reviewed the excess liability insurance quotes. Mr. Charpie reminded the Board that the current carrier is Safety National at a premium of approximately \$575,000 with a \$600,000 self-insured retention and that a two year rate guarantee was reached with Safety National last year. Thus, the annualized premium for the 2021-22 policy year with a \$600,000 retention will be approximately \$588,000, with the small increase in premium due to increased exposures.

Relative to workers' compensation, John Charpie reminded the Board that it had authorized requesting from the Division of Workers' Compensation authority to increase the Trust's retention from \$1 million to \$1.5 million because of marketplace conditions. He noted that the Division

approved a \$1,350,000 retention, noting concerns related to police officer claims as a reason not to go any higher. Mr. Charpie pointed out that several companies were contacted but only the current carrier, Safety National, was willing to offer a self-insured retention as low as \$1,250,000. He added that the Safety National quote is at the same rate as expiring and with the increase in SLAIT payroll, premium will increase approximately \$20,000 to \$1,034,000. In addition, Safety National added aggregate coverage to its quote at no cost to SLAIT. After a brief discussion, a motion was made by Doug Harms and seconded by Gregory Rose to purchase excess insurance from Safety National for policy year 2021-22 at the terms and conditions described. The motion passed.

C. Discussion – Insured Coverages

Becky Redfering briefly reported on the renewal status of the insured coverages. She noted that the Public Official liability coverage will be renewed with Greenwich with about a 10% rate increase with the exception of a few members with high loss activity that will receive a higher rate increase or a deductible increase. In addition, cyber liability coverage will be renewed with BCS with premium increases ranging from 9% to 45%. Premium increases are due to increase in rates as well as increases in operating expenditures for some cities.

Relative to Property coverage, Ms. Redfering reported that the good news is all quotes have been received and will be going out to the members over the next few days. They include rate increases ranging from 7% to 16% with higher increases on accounts with higher claim activity. The not so good news is Chubb is increasing several deductibles and lowering some limits. The property deductible is going up from \$1,000 to \$5,000 for most cities, and the auto physical damage deductibles are going from \$1,000 to \$2,500 or \$2,500 to \$5,000 depending on the current deductible. Also, vehicles with higher values like fire trucks and ambulances will have higher deductibles up to \$100,000 and there is now an aggregate limit on the auto schedule of \$2,500,000 per occurrence which will impact 13 of the cities. In addition, Chubb is rezoning every location on the flood schedule according to their new flood maps, which will be an improvement for some locations but not for others, and the aggregate flood limit is being decreased to \$2,500,000. Finally, a few cities are seeing an increase in the wind/hail deductibles on autos and 3 building locations on the property. In response to a question Ms. Redfering stated that a copy of the conditional notices that were sent to the cities directly from Chubb outlining the changes to each City will be included with the quotes.

D. Proposed Endorsements D&E to SLAIT Memorandum of Coverage, Excluding Coverage for Fungi and Silica Exposure

Steve Wicker explained that these two endorsements to the SLAIT insurance document should have been included when the document was revised two years ago, but were overlooked. He

stated that fungi and silica exposure are standard general liability exclusions and have never been covered by SLAIT, prior to this oversight. In response to a question, it was noted that these exposures are excluded in the Safety National excess policy. After a brief discussion, a motion was made by Doug Harms and seconded by Matt Zimmermann to add proposed Exclusion D&E to the SLAIT coverage document effective July 1, 2021. The motion passed.

E. Approval of Agreement with Thomas McGee for Administration/Broker Services Effective July 1, 2021

Barbara Sondag reported that the Agreement is currently being reviewed by the Attorney retained by SLAIT, who has indicated it will be several more days before the document is finalized. She indicated that a special meeting will need to be called to approve it prior to July 1. Matt Zimmermann asked if there are any substantive differences being contemplated from what the Board has been previously advised or are the issues simply legal in nature. Barbara Sondag stated that they are all legal in nature. Matt Zimmermann then made a motion seconded by Gregory Rose that Chairperson Sondag be authorized to execute the proposed Agreement with Thomas McGee when the attorney hired by SLAIT has finished her work. The motion passed. Ms. Sondag stated that she would provide a copy of the signed Agreement to the Board when it is completed.

F. Request from City of Eureka to Purchase Liability Coverage from SLAIT

Steve Wicker reported that the City of Eureka has received its workers' compensation coverage from SLAIT since 1992 but has not been eligible for liability coverage since it owned water and sewer utilities. Since the City is now in the process of selling those utilities, it would like to be considered for liability coverage through SLAIT. Mr. Wicker added that a second issue raised by Eureka's interest in SLAIT is that the City has an elected police chief. Mr. Wicker stated that SLAIT By-Laws do not prohibit an elected Chief and added that the City has presented information from neighboring departments who are members of SLAIT testifying to the City's professionalism and its current operation. Mr. Wicker added that the Board has discovered with one of its members that with an elected Chief, should a new Chief come to office, the selection process is not a professional one, it is an election.

Amy Hamilton asked what their claims experience has been like from a liability standpoint. Steve Wicker noted that we are not that far along in the process, but that the City Administrator had indicated to him that their experience has been very good.

Mark Perkins stated that he is against allowing another member to enter the Trust with an elected Police Chief. He noted that he had been against allowing St. Ann in and that he still believes that having members with an elected official in such an important department head job at any member City does not provide guarantees of professionalism that the Trust is seeking. Eric Sterman agreed generally with Mark Perkins statement and asked if an amendment to the By-Laws should be

considered relative to the issue of elected department heads. Barb Sondag agreed with Mr. Sterman that if the determination is made that cities with elected department heads should not be in the Trust then perhaps that determination should be made part of the By-Laws. Mike Geisel added that if there is this much concern about an elected Police Chief position then the Board's vote should be not to permit the City to receive police liability coverage from SLAIT.

Barb Sondag asked Steve Wicker what type of direction he is looking for from the Board. Mr. Wicker stated that he feels that if the Board is not willing to consider providing liability coverage to the City due to the elected Police Chief position, then he or the Chairperson should inform the City of Eureka of that position. On the other hand, if the Board is willing to consider Eureka as a full member of the Trust, then direction should be given to staff relative to the information necessary to further consider this request. Mr. Wicker added that as Matt Zimmermann noted, the utility sales have not yet been completed, thus no final action could be taken relative to the request at this time. Following some additional discussion, a motion was made by Gregory Rose not to further consider providing liability insurance to the City of Eureka due to its elected Police Chief position and also to have staff explain at a future meeting what exactly is involved in amending the By-Laws of the Trust. The motion passed.

G. Payroll Audits

Steve Wicker reported that The Audit Store is quoting a rate of \$245 per audit, up from \$235 last year. Mr. Wicker stated 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 Doug Harms and seconded by Mike Geisel to use the Audit Store to perform payroll audits for SLAIT for the 2020-2021 policy year. The motion passed.

H. Appointment of Nominating Committee

Barbara Sondag stated that four Board terms expire on July 1, 2021, and that Dave Watson will be retiring from the City of Maryland Heights June 30, 2021. Thus, a Nominating Committee needs to be appointed to make nominations for these five terms to the membership at the Annual Meeting to be held in September. Ms. Sondag then appointed Amy Hamilton, Doug Harms and Mark Perkins to the Nominating Committee. It was also noted that traditionally officers have served two one-year terms in their positions, and the current officers have now served for two terms. Thus, the Committee was also asked to make recommendations for officers to the Board for the 2021-22 policy year at the Board meeting in September.

I. Next Meeting Date

The next Board Meeting is scheduled for 9:30 a.m. on Thursday, September 2, 2021, at The Lodge in Des Peres. The Annual Meeting is scheduled for that same date, at 11:00 a.m.

H. Other Business

It was noted that this would be Dave Watson's last Board meeting due to his retirement at the end of June. The entire Board wished Dave well in retirement and thanked him for his contributions to the Trust, being a primary contributor to its creation and over 30 years of service on the Board of Directors. There being no other business, the meeting adjourned at 11:15 a.m.

Submitted by: Stephen D. Wicker

Approved by: _____