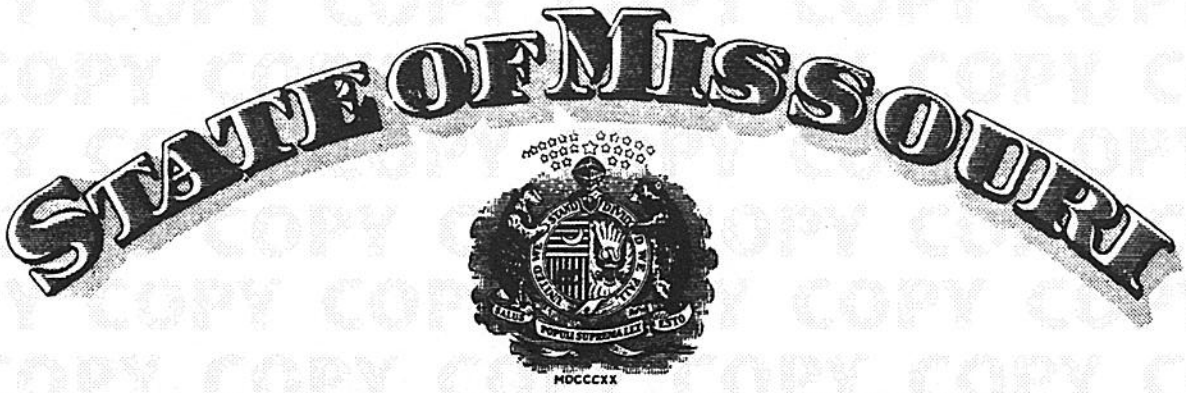
STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of St. Louis Area Insurance Trust for the period ended June 30, 2014.

ORDER

After full consideration and review of the report of the financial examination of St. Louis Area Insurance Trust for the period ended June 30, 2014, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of St. Louis Area Insurance Trust as of June 30, 2014 be and is hereby ADOPTED as filed and for St. Louis Area Insurance Trust to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 2nd day of May, 2014.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

St. Louis Area Insurance Trust

AS OF

JUNE 30, 2013

FILED
MAY 12 2014
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SALUTATION 1

SCOPE OF EXAMINATION 1

- PERIOD COVERED 1
- PROCEDURES 1

SUMMARY OF SIGNIFICANT FINDINGS 1

SUBSEQUENT EVENTS 2

COMPANY HISTORY 2

- GENERAL 2
- DIVIDENDS 2
- MERGERS AND ACQUISITIONS 2

CORPORATE RECORDS 2

MANAGEMENT AND CONTROL 2

- MANAGEMENT 2
- CONFLICT OF INTEREST 4
- SERVICE PROVIDERS 4

FIDELITY BOND AND OTHER INSURANCE 5

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS 5

TERRITORY AND PLAN OF OPERATION 5

- PARTICIPATING MEMBERS 5

GROWTH OF COMPANY 6

LOSS EXPERIENCE 6

REINSURANCE 6

- ASSUMED 6
- CEDED 6

ACCOUNTS AND RECORDS 7

STATUTORY DEPOSITS 7

FINANCIAL STATEMENTS 7

STATEMENT OF ASSETS AND LIABILITIES 8

STATEMENT OF OPERATIONS 9

RECONCILIATION OF SURPLUS 9

EXAMINATION CHANGES 9

COMMENTS ON FINANCIAL STATEMENTS 9

SUMMARY OF RECOMMENDATIONS 9

ACKNOWLEDGMENT 10

VERIFICATION 10

SUPERVISION 10

St. Louis, MO
February 26, 2014

Honorable John Huff, Director
Missouri Department of Insurance,
Financial Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Director Huff:

In accordance with your financial examination warrant, a financial examination has been made of the records, affairs and financial condition of the

St. Louis Area Insurance Trust

also referred to as "SLAIT" or as the "Trust." The examination was conducted at the office of the Trust's service company at 1001 Highlands Plaza Drive West, Suite 500, St. Louis, Missouri 63110, telephone number (314) 444-1937. This examination began on January 8, 2014, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of the St. Louis Area Insurance Trust. The last examination was completed as of June 30, 2008. This examination covers the period of July 1, 2008 through June 30, 2013. This examination also included material transactions or events occurring subsequent to June 30, 2013.

Procedures

This examination was conducted using the guidelines set forth by applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration and statutes of the state of Missouri. Standard examination procedures were modified as necessary under the circumstances.

SUMMARY OF SIGNIFICANT FINDINGS

The Trust remains in a fairly strong financial position. The members fund balance grew each year during the examination period except for the last year when a distribution was made causing a slight decline in the balance.

SUBSEQUENT EVENTS

None

COMPANY HISTORY

General
St. Louis Area Insurance Trust was formed in August of 1998 through a merger of two separate trusts, formerly known as the Property and Casualty Trust of St. Louis, Inc. ("PACT") and the St. Louis Area Insurance Trust (predecessor trust). PACT was formed on February 10, 1987, under the provisions of Chapter 537 RSMo (Risk Management for Political Subdivisions) for the purpose of providing a voluntary self-insured liability program for political subdivisions of Missouri.

St. Louis Area Insurance Trust (predecessor trust) was formed in August of 1986 under the provisions of Chapter 287 RSMo (Workers Compensation Law) for the purposes of providing a self-insured workers' compensation program for political subdivisions of Missouri. During 2009, the Trust began offering health insurance on a self-insured basis.

Dividends
SLAIT maintains the members' fund balance account by policy year. The board of directors determines how to distribute any remaining balance when all claims for a policy year are closed. The board of directors declared a distribution in fiscal year 2012-2013 and paid $953,002 during the following fiscal year.

Mergers and Acquisitions
There were no acquisitions, mergers or major corporate events during the examination period.

CORPORATE RECORDS

A review was made of the articles of association and the bylaws. In addition, the minutes of the board of directors were reviewed for the period under examination. The minutes appeared to properly document and approve applicable corporate events and transactions.

MANAGEMENT AND CONTROL

Management
The board of directors consists of twelve members as authorized by the bylaws. At least three of the directors must be representatives of the smallest half of the Trust's members (based on payroll). Members currently serving are as follows:

Name	Business Affiliation	Term Expires
John Shaw	City Manager City of Ferguson	7/1/2014
Douglas Harms	City Administrator City of Des Peres	7/1/2014
Craig Owens	City Manager City of Clayton	7/1/2014
Mark Perkins	City Administrator City of Creve Coeur	7/1/2014
Marty Corcoran	City Manager City of Maplewood	7/1/2015
Mike Herring	City Administrator City of Chesterfield	7/1/2015
Bob Kuntz	City Administrator City of Ballwin	7/1/2015
Steve Wylie	City Manager City of Webster Groves	7/1/2015
Amy Hamilton	City Manager City of Richmond Heights	7/1/2016
George Liyeos	City Administrator City of Rock Hill	7/1/2016
Robert Shelton	City Administrator City of Frontenac	7/1/2016
Dave Watson	Finance Director City of Maryland Heights	7/1/2016

Current officers are as follows:

Name	Office
Amy Hamilton	Chairperson of the Board
Bob Kuntz	Vice Chairperson of the Board
Robert Shelton	Secretary / Treasurer

Conflict of Interest

Chapter 537 RSMo (Risk Management for Public Entities) does not require completion of conflict of interest statements. Although the Trust does not require its officers and directors to provide conflict of interest disclosure statements, because of their positions with their various communities each is required to file statements annually with the Missouri Ethics Commission or is subject to a city ethics ordinance.

Service Providers

The Trust has contracted with four outside parties to provide services.

The Daniel and Henry Company ("D&H")

D&H is an insurance agency that provides brokerage, administrative, and loss control services for SLAIT under two Administrative Services contracts, one for the provision of services for workers compensation coverage and the other for the provision of services for liability coverage. Brokerage services include updating underwriting information, developing marketing strategy, submitting requests for reinsurance premium quotes to excess markets and insurance policy review. Administrative services include presenting reports at board of directors meetings and keeping minutes of those meetings, preparation of loss runs, various clerical duties for legal, accounting and loss control services, invoicing of members for premium assessments and other miscellaneous services. Loss control services include facilities inspection, loss control audits, safety committee assistance and presentation of various educational seminars. The Trust paid D&H $190,000 during the fiscal year ending June 30, 2013.

BCA, Inc. ("BCA")

BCA is a Missouri licensed third party administrator. BCA performs various claims adjudication services for the Trust including maintaining claim files, performing investigations of reported claims, recommending reserves, settling all qualifying claims (within a discretionary settlement authority limit) and providing all necessary reports to excess reinsurers. The annual fees paid by the Trust to BCA are adjusted each year. The fee paid for the fiscal year ending June 30, 2013 was $253,548.

Phillip E. Pfeiffer, CPA

The Trust contracts with Phillip E. Pfeiffer, Certified Public Accountant, to compile quarterly financial statements and other supplemental reports. The Trust paid $17,500 for these services for the fiscal year ending June 30, 2013.

United HealthCare Insurance Company ("UHC")

UHC provides services related to the self-insured health insurance program of the members. UHC provides claims administration, network access, eligibility determination, and other related services. The cost for these services was $1,061,019 for the fiscal year ending June 30, 2013.

FIDELITY BOND AND OTHER INSURANCE

The Trust is the named insured in a policy that provides $1,000,000 in coverage for employee theft. This coverage is sufficient to meet the suggested minimum fidelity coverage as outlined in the Financial Condition Examiners Handbook. The Trust also maintains Directors and Officers coverage of $1,000,000 and a workers' compensation surety bond of $600,000. These coverages provide adequate protection for the Trust.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Trust does not have any employees. Members of the board of directors are reimbursed for actual expenses incurred for attendance at board meetings only. All other services are provided through contractual agreements with outside parties.

TERRITORY AND PLAN OF OPERATION

SLAIT is a licensed self-insured trust by the Missouri Department of Insurance under Chapter 537 RSMo (Risk Management for Public Entities). Membership of the Trust is limited to municipalities located in the state of Missouri, or to entities created pursuant to Section 70.220 RSMo for the purpose of providing a common service that is provided by a municipality or public subdivision. Members of the Trust must be professionally managed (non-elected administrators) and cannot own public utilities.

The Trust provides workers' compensation and liability coverages on an excess of loss basis to its members. The Trust also administers programs providing property damage coverage and health insurance on a self-insured basis for those members participating.

Participating Members

As of June 30, 2013, the following thirty entities were members of the Trust:

Ballwin	Fenton	Richmond Heights
Brentwood	Ferguson	Rock Hill
Bridgeton	Frontenac	St. Ann
Chesterfield	Glendale	St. John
Clayton	Hazelwood	Town and Country
Crestwood	Lake St. Louis	University City
Creve Coeur	Manchester	Webster Groves
Des Peres	Maplewood	East Central Dispatch
Ellisville	Maryland Heights	Clayton Recreation SWC
Eureka	Olivette	West County Dispatch

GROWTH OF COMPANY

The Trust grew significantly over the examination period. Member assessments for 2013 were almost four times the member assessments in 2008. Part of this increase was due to the addition of health insurance coverage for members starting in 2009. This allowed the Trust to grow in terms of total assets and members fund balances which were significantly higher than at the previous examination date.

LOSS EXPERIENCE

The Trust has experienced an increase in losses that coincide with the overall growth seen over the past five years. The loss ratio (losses and loss adjustment expenses divided by member assessments) has increased as well. However, this increase is not as dramatic considering that the health insurance provided is self-funded by the members of SLAIT.

REINSURANCE

Assumed
None

Ceded
The Trust has excess reinsurance coverage for workers compensation and employers liability from Plaza Insurance Company. All other liability protection was obtained from State Automobile Mutual Insurance Company. Coverage for medical claims was from United Healthcare Insurance Company. The coverages provided and the Trust's retentions in effect as of June 30, 2013 were as follows:

Coverage	Limit	Retention
Workers' Compensation	Statutory Limit	$600,000
Employers Liability	$1,000,000	$600,000
General Liability	$2,500,000 each occurrence	$500,000
Personal & Advertising Injury	$2,500,000 each person	$500,000
Employee Benefit Liability	$2,500,000 each claim	$500,000
Business Auto Liability	$2,500,000 each accident	$500,000
Medical Individual Stop Loss	Unlimited	$225,000
Medical Aggregate Stop Loss	$1,000,000 per policy year	125% of expected losses

The Trust also maintains a self-funded reserve of $1,000,000 to pay for excess workers compensation losses. These funds are held in an escrow account and are restricted for this use. The funds cannot be removed without approval from the Director of the Division of Workers' Compensation.

ACCOUNTS AND RECORDS

The Trust's financial statements are compiled on a quarterly basis by Phillip E. Pfeiffer, Certified Public Accountant. Audited financial statements are prepared annually by UHY LLP. The audit workpapers were used in the course of this examination as deemed appropriate. Reserves and related actuarial items reported in the audited financial statements are reviewed by the actuarial department of PricewaterhouseCoopers, LLP.

STATUTORY DEPOSITS

The Trust is not required to maintain statutory deposits.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Trust as of June 30, 2013, and the results of operations for the fiscal year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements," which follows the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Trust and noted in the workpapers for each individual financial statement item.

STATEMENT OF ASSETS AND LIABILITIES

Certificates of deposit	$ 8,941,086
Securities	6,214,038
Cash and equivalents	9,970,535
Member contribution receivable	65,026
Excess reinsurance receivable	186,633
Accrued interest receivable	15,668
Prepaid expenses	152,888
Total Assets	$ 25,545,874
Losses and loss adjustment expenses	$ 11,617,742
Unearned required contributions	439,315
Members' contributions refundable	145,348
Accounts Payable	73,011
Total Liabilities	12,275,416
Aggregate excess reserve	1,000,000
Members' fund balance	12,270,458
Total Fund Balance	13,270,458
Total Laibilities and Fund Balance	$ 25,545,874

STATEMENT OF OPERATIONS

Revenues	
Required contributions	$ 27,008,452
Premiums ceded - excess reinsurance	(1,344,731)
Net contributions	25,663,721
Investment income	74,933
Total Revenue	25,738,654
Expenses	
Losses and loss adjustment expenses	23,394,311
Return of contribution	953,002
Underwriting and risk management expenses	1,504,567
Premium taxes	52,613
Second injury fund tax	157,838
General and administrative expenses	305,586
Total Expenses	26,367,917
Revenues in excess of expenses	$ (629,263)

RECONCILIATION OF SURPLUS

	2009	2010	2011	2012	2013
Beginning Member Balance	$4,165,028	$5,274,081	$6,977,916	$9,513,238	$12,899,721
Net Income (Loss)	1,109,053	1,703,835	2,535,322	3,386,483	(629,263)
Ending Member Balance	$5,274,081	$6,977,916	$9,513,238	$12,899,721	$12,270,458

Note that the return of contribution in 2013 is included in the Net Income (Loss).

EXAMINATION CHANGES

None

COMMENTS ON FINANCIAL STATEMENTS

None

SUMMARY OF RECOMMENDATIONS

None

ACKNOWLEDGMENT

The assistance and cooperation extended by the St. Louis Area Insurance Trust and its Administrator, Daniel and Henry Company, during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I swear on my oath that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Trust, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Robert Jordan

Robert Jordan, CFE
Examiner-in-Charge, Department of Insurance,
Financial Institutions and Professional Registration

Sworn to and subscribed before me this 11th day of February 2014.
My commission expires:
May 11, 2016

Andrea V. Moffatt
Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration and statutes of the state of Missouri has been confirmed.

ANDREA V. MOFFATT
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: May 11, 2016
Commission Number: 12552590

Michael Shadowens

Michael Shadowens, CFE
Audit Manager, Department of Insurance,
Financial Institutions and Professional Registration