

STATE OF INDIANA ) BEFORE THE INDIANA  
 ) SS:  
COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
 )  
**Midwest Area School Employees' Insurance Trust** )  
**328 North Market Street, P.O. Box 656** )  
**Monon, Indiana 47959** )

Examination of: **Midwest Area School Employees' Insurance Trust**

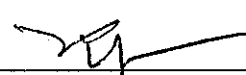
**NOTICE OF ENTRY OF ORDER**

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Midwest Area School Employees' Insurance Trust, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 4, 2018, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Midwest Area School Employees' Insurance Trust shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

3/5/2019  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0359**

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Examination of: **Midwest Area School Employees' Insurance Trust**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Midwest Area School Employees' Insurance Trust (hereinafter "Company") for the time period January 1, 2011 through December 31, 2015.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on November 30, 2018.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on December 4, 2018 and was received by the Company on December 6, 2018.

The Company did not file any objections.


NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Midwest Area School Employees' Insurance Trust as of December 31, 2015.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Midwest Area School Employees' Insurance Trust to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signature: March 5 day of March, 2019.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

## ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A large, dark, handwritten signature in cursive script, appearing to be a name like "John J. ...".A smaller, dark, handwritten signature in cursive script, appearing to be a name like "John J. ...".

**STATE OF INDIANA**

**Department of Insurance**

**REPORT ON THE LIMITED SCOPE EXAMINATION**

**OF**

**MIDWEST AREA SCHOOL EMPLOYEES' INSURANCE TRUST**

**A MULTIPLE EMPLOYER WELFARE ARRANGEMENT  
NAIC Co. Code 14473**

As of

December 31, 2015

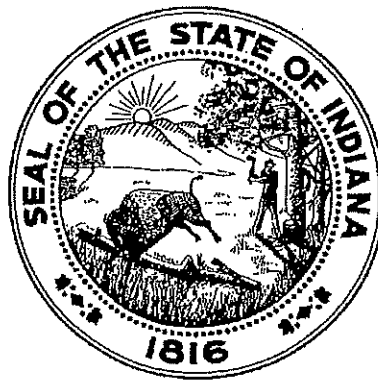


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# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

## Indiana Department of Insurance

Stephen W. Robertson, Commissioner

311 W. Washington Street, Suite 103

Indianapolis, Indiana 46204-2787

Telephone: 317-232-2385

Fax: 317-232-5251

Website: [in.gov/idoi](http://in.gov/idoi)

November 30, 2018

Honorable Stephen W. Robertson, Commissioner  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3912, a limited scope examination has been made of the affairs and financial condition of:

**Midwest Area School Employees' Insurance Trust**  
**328 North Market Street**  
**PO Box 656**  
**Monon, Indiana 47959**

hereinafter referred to as the "Trust", a Multiple Employer Welfare Arrangement (MEWA), not-for-profit trust. The examination was conducted at the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report on the Limited Scope Examination, reflecting the status and statutory compliance of the trust as of December 31, 2015, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
317-232-2413

COMPANY COMPLIANCE  
317-232-3495

CONSUMER SERVICES  
317-232-2395/1-800-622-4461

FINANCIAL SERVICES  
317-232-2390

MEDICAL MALPRACTICE  
317-232-2402

COMPANY RECORDS  
317-232-5692

STATE HEALTH INSURANCE PROGRAM  
1-800-452-4800

## SCOPE OF EXAMINATION

The Trust was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2006 through December 31, 2010. The present limited scope examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2011 through December 31, 2015, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The limited scope examination was conducted using agreed upon procedures provided by the INDOI. We performed the examination to evaluate statutory compliance, financial condition of the Trust, and to identify possible prospective risks of the Trust by obtaining information about the Trust, including corporate governance. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

All accounts and activities of the Trust were considered in accordance with the limited scope examination process. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Trust's financial statement presentation.

This limited scope examination report includes significant findings of fact, pursuant to Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within this limited scope examination report but separately communicated to the INDOI and/or the Trust.

## HISTORY

The Trust is a MEWA that was created and established by ten (10) participating employers in 1986, with its purpose to provide health benefits to participating employees and their dependents. The Trust Agreement, as amended February 1, 2013, provides that the Trust be administered to offer group insurance and is intended to qualify for exemption from federal tax under section 115(1) of the Internal Revenue Code. As of December 31, 2015, the Trust was servicing twenty (20) participating employers.

## PLAN OF OPERATION AND TERRITORY

The Trust's primary focus is to provide self-funded health benefits to eligible employees, retirees, and dependents of the participating employers. Self-funded dental benefits are provided to two (2) participating employers but are no longer available to participating employers as an option. The Trust also offers fully-funded long term disability and life insurance plans to all participating employers. As of December 31, 2015, the Trust included twenty (20) participating employers and 2,692 participating employees.



## GROWTH OF THE TRUST

The following exhibit summarizes the financial results of the Trust during the examination period:

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Change in Fund Balance</u>
2015	\$ 13,610,612	\$ 2,457,933	\$ 11,152,679	\$ 2,618,320
2014	11,502,216	2,967,857	8,534,359	(2,384,446)
2013	13,246,650	2,327,845	10,918,805	555,059
2012	12,188,310	1,824,564	10,363,746	(1,038,030)
2011	13,034,466	1,632,690	11,401,776	1,100,391

The Trust assets are held in qualified financial institutions. From January 1, 2011 through December 31, 2015, the Trust's Fund Balance exceeded the minimum statutory balance requirements.

## MANAGEMENT AND CONTROL

### Trustees

As of December 31, 2015, the Trust included twenty (20) participating employers and provided benefits to 2,692 participating employees. In accordance with the Trust Agreement and Bylaws, every participating employer is represented by at least one (1) Trustee. The following is a listing of persons serving as Trustees as of December 31, 2015, and their respective participating employer:

<u>Name</u>	<u>Participating Employer</u>
James White and Cynthia McKenzie	Bremen Public Schools
Christopher Lagoni and Don Shively	Carroll Consolidated School Corporation
Ralph Walker and Debra Stevenson	Clinton Central School Corporation
Gregory Briles and Tim Conner	Delphi Community School Corporation
Dan Foster and John King	Eastern Pulaski School Corporation
Cathy Rowe and Michelle Glover	Frontier School Corporation
Richard Reese and Scott Richie	John Glenn School Corporation
Kelley Kitchen and Mark McBride	New Prairie School Corporation
Destin Haas and Theresa Luesse	North Newton School Corporation
Dr. Teresa Gramaux and Terrie Brown	North White School Corporation
David Bess and Adam Berry	Pioneer School Corporation
Kandi Tinkey and Robert Pickell	Plymouth Community School Corporation
James Hanna and Mike Priest	Rossville School Corporation
Linda Wiltfong and Matthew Spagna	South Central School Corporation
Todd Rudnick and Blair DiRuzza	South Newton School Corporation
Dr. Kathy Goad and Todd Huff	Tri-County School Corporation
Donna Burroughs and Teresa Watkins	Triton School Corporation
Tom Fletcher and Jo Piatt	Twin Lakes School Corporation
Mitch Mawhorter and Shawn Hill	Union North School Corporation
Donald Street and Hillary Durie	West Central School Corporation

### Trust Officers

The following is a listing of persons serving as officers of the Trust as of December 31, 2015:

<u>Name</u>	<u>Title</u>
Richard Reese	President
Kathy Goad	Vice President
Terry Harvey	Treasurer

### Board of Trustees

The Trust is managed by a Board of Trustees (Board). Their duties include overseeing the administration of the Trust, approving premium rates, and managing investments, pursuant to the provisions of the Trust Agreement. The Trust has one (1) employee, a Director of Trust Operations (Director) who serves the Trust full-time.

The Director, Terry Harvey, has been with the Trust since 1994 and is responsible for oversight of daily operations and preparing reports to the Trustees.

With limited staff, the lack of segregation significantly compromises internal controls. However, the Trust has developed a network of advisors, actuaries, auditors, committees, and legal counsel to provide additional oversight, in order to mitigate risk, promote transparency, and assist the Trust in achieving its goals.

The Trust maintains the following committees:

- Benefits Committee
- Executive Committee
- Financial Committee
- HIPAA Security Committee

### Claims Appeals and Complaints

The Benefits Committee of the Trust acts as the appeals committee in accordance with Indiana Public Law 232. If a claimant has exhausted their appeal options with the third party administrator, they can submit their claim to the Benefits Committee. The Benefits Committee will review the claim and make recommendations to the Board for their consideration. During the examination period, there were no claims that were disapproved by the TPA that were overturned by the Board.

## CORPORATE RECORDS

### Trust Agreement

The Second Amended and Restated Agreement and Declaration of Trust, effective February 1, 2013, and signed by all participating employers, addresses the design and operation of the Trust which includes:

- The required minimum size of the Trust
- Determination of qualified participating employers
- Appointment of Trustees
- Responsibilities of Trustees

- Equitable participating employer representation on the Board
- Terms for addition of participating employers, premium payments, withdrawal of participating employer, and responsibilities for obligation of participating employers upon termination of the Trust
- Various other benefit and fund requirements and restrictions

The Trust Agreement is consistent with Indiana statutory requirements and the examination noted no instances where the Trust operated contrary to its Trust Agreement.

#### Bylaws

There were no amendments made to the Bylaws during the examination period.

#### Minutes

The Trustee meeting minutes and committee meeting minutes were reviewed for the period under examination through the fieldwork date.

### CONTRACT DOCUMENTATION

The Trust Agreement is consistent with Indiana statutory requirements and the examination noted no instances where the Trust operated contrary to its Trust Agreement.

#### *Plan Documents*

The Trust's Plan Documents, updated annually, define the Trust's health insurance and dental benefit offerings as administered by Anthem Insurance Companies, Inc., doing business as (d/b/a) Anthem Blue Cross Blue Shield (Anthem). The Health Benefit Booklets are comprehensive documents with notices of federally mandated patient protections, member rights and responsibilities, schedule of benefits, covered services, obtaining covered services, claims processes, and general provisions to include compliance to statutory requirements. The examination noted no instances where the Trust provided benefits contrary to the benefits defined in the Health Benefit Booklets.

#### *Life and Long Term Disability Contract*

Each participating employer has a joinder agreement in effect with Madison National Life Insurance Company, Inc., for group term life insurance with various effective dates during the examination period. Coverages offer life insurance that includes accidental death and dismemberment coverage to participating employees. The benefits offered to participating employees are fully insured.

#### *Administrative Service Agreement*

Effective January 1, 2010, the Trust and Anthem entered into an Administrative Service Agreement whereby Anthem shall administer the enrollment of eligible persons and terminations of members as directed by the Trust. Anthem shall administer complaints and appeals, maintain and build the Trust's provider network, process claims, perform case management, process claims appeals, and any other administrative services required by the Trust. Amendments are in place at least annually with the most recent contract effective as of January 1, 2015, for the current examination period as of December 31, 2015.

*Consultant Services Agreement*

Effective January 1, 2010, the Trust and R. E. Sutton & Associates entered into a Consulting Services Agreement to provide for the following services: assist in developing strategic plans, assist in review of fee proposals, attend Trust meetings, coordinate wellness programs, ensure strategic benchmarks, identify educational opportunities, manage vendor relationships, select and procure appropriate stop-loss terms, and verify employee contributions.

*Clinic Agreement*

Effective October 12, 2011, the Trust and WeCare TLC, LLC (WeCare) entered into a clinic agreement for WeCare to provide medical professionals (physicians, advance registered nurse practitioner, or physician assistants) and medical assistants (nurses or medical assistants) to provide onsite medical services for plan members within the Trust's clinic.

*HIPAA Risk Analysis Agreement*

Effective May 22, 2013, the Trust entered into a contract with Infotex, Inc., to facilitate the creation of an information technology security management process and to provide ongoing compliance support.

*COBRA Management Agreement*

Effective January 1, 2008, the Trust and entered into a COBRA contract with Benefit Advantage, Inc., to assist the Plan Sponsor in providing notices to qualified beneficiaries and other various duties related to COBRA.

*Independent Auditor*

Effective January 11, 2016, the Trust and Kemper CPA Group, LLP, entered into an Independent Auditor Agreement to conduct the annual audit as of December 31, 2015. The independent audit report as of December 31, 2015, was issued with an unqualified opinion. Previously, Larry E. Nunn and Associates served as the Trust auditor but the firm was acquired by the Kemper CPA group during the current examination period.

*Actuarial Services Agreement*

Effective February 3, 2016, The Trust entered into an Actuarial Services Agreement with Nyhart to provide the actuarial certification of the Trust's operations and funding as of December 31, 2015. The actuarial report of the Trust for the plan year ending December 31, 2015 was signed by Eva Laksana, ASA, MAAA and Randy Gomez, FSA, MAAA.

*Legal Services Agreement*

Effective November 16, 2012, the Trust entered into a Legal Services Agreement with Bose McKinney & Evans LLP, to provide legal support services. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal. As of December 31, 2015, there was no pending litigation identified during the examination. Additionally, no instances of federal regulatory noncompliance were identified during the examination.

*Investment Agency Agreement*

Effective March 17, 2009, the Trust entered into an agreement with First Merchants Trust Company (Merchants) to provide investment and trading services to the Trust. Upon termination by either party, the Trust's assets will be delivered as directed in writing to the Trust.

*Investment Policy Statement*

Effective November 3, 2014, the Trust signed an Investment Policy Statement issued by Wells Fargo to acknowledge the Investment Policy over its asset holdings managed within the bank.

*Consultant Agreement*

Effective January 1, 2011, the Trust entered into a Consultant Agreement with John Heath, Trust Executive Director, to provide consulting and oversight services as defined and needed by the Trust.

*Consultant Agreement*

Effective January 2, 2013, the Trust entered into a Consultant Agreement with Rodger Smith, Trust Assistant Director, to provide consulting and oversight services as defined and needed by the Trust.

*Provider Agreement*

Effective March 27, 2014, the Trust entered into an agreement with Castlight Health, Inc. (Castlight), a healthcare navigation service that uses the Castlight platform to bring price and quality transparency to its users. Castlight features include overviews of past care pricing for services, provide key medical policy features of current plan, and provide prospective service search features to determine best cost and location for service.

**FIDELITY BOND**

The Trust protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by The Cincinnati Insurance Company. The bond has an aggregate loss coverage limit of \$500,000. No exceptions were noted with regard to fidelity coverages held.

**REINSURANCE**

Stop Loss Policy

Effective January 1, 2015 through December 31, 2015, the Trust entered into a Stop Loss Policy with Anthem. The policy includes specific stop loss limit of \$300,000 per member and an aggregate stop loss limit of \$26,288,300.

**ACCOUNTS AND RECORDS**

The Trust's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The Trust's accounting procedures, practices, and account records were deemed satisfactory.

MIDWEST AREA SCHOOL EMPLOYEES' INSURANCE TRUST  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE  
As of December 31, 2015

<u>ASSETS</u>	<u>Per Examination*</u>
Investments, At Fair Value	
Repurchase agreements	\$ 7,558,421
Government obligations	664,191
Corporate bonds	1,715,816
Stock mutual funds	696,503
Fixed income mutual funds	199,057
Common stock	1,013,532
Total Investments	<u>11,847,520</u>
Cash	1,189,185
Money market savings	407,180
Accrued interest and dividends	14,545
Prepaid expenses	152,182
Total Assets	<u>\$ 13,610,612</u>

**LIABILITIES AND FUND BALANCE**

<b>Liabilities</b>	
Claims and administrative fees payable	\$ 193,726
Claims payable to plan administrator	504,207
Obligations for claims incurred but not reported	1,760,000
Total Liabilities	<u>2,457,933</u>
<b>Fund Balance</b>	
Restricted reserves – supplemental contribution reserve	7,588,421
Unrestricted reserves	3,564,258
Total Fund Balance	<u>11,152,679</u>
Total Liabilities and Fund Balance	<u>\$ 13,610,612</u>

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\* In accordance with IAC 1-68-1 (12), supplemental contribution fund assets are restricted to being used solely for the payment of outstanding claims. No financial adjustments were proposed, however some liability or fund balance lines may have been moved, for analytical purposes.

MIDWEST AREA SCHOOL EMPLOYEES' INSURANCE TRUST  
 STATEMENT OF REVENUE, EXPENSE AND CHANGE IN FUND BALANCE  
 As of December 31, 2015

<u>REVENUE</u>	<u>Per Examination*</u>
Premiums – participating employers	\$ 28,629,879
Premiums – COBRA contributions	60,531
Total premium revenue	<u>28,690,410</u>
Less, premiums paid for disability and life insurance ( <i>pass-through revenue</i> )	(620,036)
Less, reinsurance premiums paid	<u>(1,314,011)</u>
Net health insurance premiums	26,756,363
Investments - Loss on sale of investments	(38,746)
Other income	<u>31,602</u>
Total Revenue	<u>26,749,219</u>
<u>EXPENSES</u>	
Claims - healthcare	\$ 20,737,569
Claims – change in liability	(78,000)
Less, reinsurance recovered	<u>(787,848)</u>
Net claims expense	19,871,721
Clinic expense	2,126,368
Administrative expense	<u>2,132,810</u>
Total Expenses	<u>24,130,899</u>
<u>CHANGE IN FUND BALANCE</u>	
Net income (loss)	2,618,320
Fund balance, beginning of period	<u>8,534,359</u>
Fund balance, end of period	<u>\$ 11,152,679</u>

\* No financial adjustments were proposed, however some income and expenses lines may have been moved, for analytical purposes.

### COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2015, based on the results of this limited scope examination.

### OTHER SIGNIFICANT ISSUES

There were no other significant issues as of December 31, 2015, based on the results of this limited scope examination.

### SUBSEQUENT EVENTS

The Trust voted to accept Argos Community Schools as a participating employer effective January 1, 2017.



**AFFIDAVIT**

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., performed a limited scope examination of Midwest Area School Employees' Insurance Trust, as of December 31, 2015.


The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those limited scope procedures guided by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached limit scope Report of Examination is a true and complete report of condition of Midwest Area School Employees' Insurance Trust as of December 31, 2015, as determined by the undersigned.

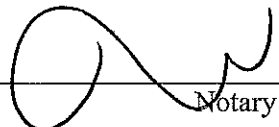
  
\_\_\_\_\_  
Jim Kattman, CFE  
Noble Consulting Services, Inc.

State of: Indiana  
County of: Marion

Under the Supervision of:  
  
\_\_\_\_\_  
Jerry Ehlers, CFE, AES  
Examinations Manager  
Indiana Department of Insurance

On this 2 day of January, 2019, before me personally appeared Jim Kattman and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 4, 2019  \_\_\_\_\_  
Notary Public

