

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

IN THE MATTER OF:)
)
South Central Indiana School Trust)
500 Earlywood Drive)
Franklin, Indiana 46131)

Examination of: **South Central Indiana School 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 South Central Indiana School Trust, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 12, 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 South Central Indiana School 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 0366

STATE OF INDIANA)
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
South Central Indiana School Trust)
500 Earlywood Drive)
Franklin, Indiana 46131)

Examination of: **South Central Indiana School Trust**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the South Central Indiana School Trust (hereinafter "Company") for the time period November 1, 2010 through October 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 12, 2018 and was received by the Company on December 17, 2018.

The Company did not file any objections.

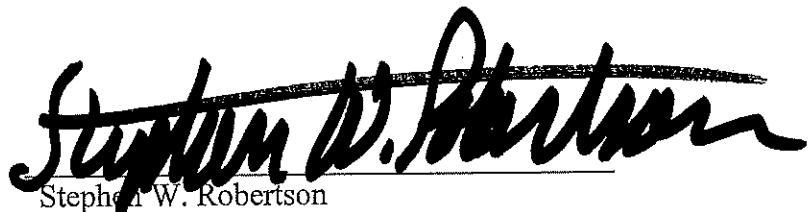
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the South Central Indiana School Trust as of October 31, 2015.
2. That the Examiner's Recommendations are reasonable and necessary in order for the South Central Indiana School 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.

Signed this 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 written in ink on a light background.A smaller, dark, handwritten signature in cursive script, appearing to be written in ink on a light background.

STATE OF INDIANA

Department of Insurance

REPORT ON THE LIMITED SCOPE EXAMINATION

OF

SOUTH CENTRAL INDIANA SCHOOL TRUST

A MULTIPLE EMPLOYER WELFARE ARRANGEMENT

NAIC Co. Code 14474

As of

October 31, 2015

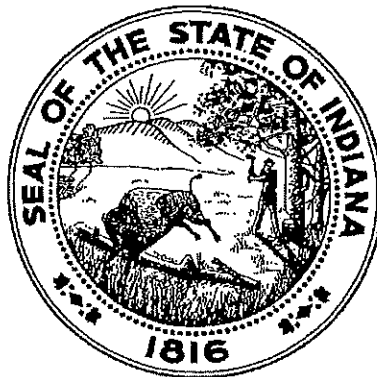


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STATE OF INDIANA

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

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 3906, a limited scope examination has been made of the affairs and financial condition of:

**South Central Indiana School Trust
500 Earlywood Drive
Franklin, Indiana 46131**

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 October 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 November 1, 2005 through October 31, 2010. The present limited scope examination was conducted by Noble Consulting Services, Inc. (Noble), and covered the period from November 1, 2010 through October 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. Noble 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 statements.

This limited scope examination report includes significant findings of fact, as in the 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 was created on November 1, 1989, by eight (8) participating employers. The Trust was comprised of twelve (12) participating employers as of October 31, 2015. The Trust's objective is to provide health benefits to employees, dependents, and retirees. The Trust Agreement, as amended on January 1, 2013, provides that the Trust be administered as a voluntary employees' beneficiary association pursuant to Section 501(c)(9) of the Internal Revenue Code.

PLAN OF OPERATION AND TERRITORY

The Trust provides self-funded medical, dental, and prescription drug benefits and fully-insured life insurance policies to its members. As of October 31, 2015, the twelve (12) participating employers provided health benefits to approximately 1,688 participating employees and retirees.

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	\$ 5,673,829	\$ 2,193,959	\$ 3,479,870	\$ (1,548,698)
2014	7,347,669	2,319,101	5,028,568	349,303
2013	6,652,176	1,972,911	4,679,265	1,893,441
2012	5,227,966	2,442,142	2,785,824	(959,725)
2011	6,421,311	2,675,762	3,745,549	(565,590)

The Trust assets are held in qualified financial institutions. From November 1, 2010 through October 31, 2015, the Trust's Fund Balance exceeded the minimum statutory balance requirements.

Claims and operational costs exceeded premiums paid to the Trust for the year ending October 31, 2015.

MANAGEMENT AND CONTROL

Trustees

In accordance with the Trust Agreement, the Board of Trustees (Trustees) consists of an administrative and a teacher representative from each participating employer that is a school corporation. The Indiana State School Music Association and Indiana Music Educators Association, Inc., which consist of less than one percent of Trust eligible employees combined, are represented by one (1) non-voting representative. The following is a listing of persons serving as Trustees at October 31, 2015, and their respective participating employer:

<u>Name</u>	<u>Participating Employer</u>
David Edds and Darryl Willoughby	Central Nine Career Center
William Glentzer and David Bauman	Edinburgh Community Schools
Maureen Pinnick and Jim Williams	Franklin College
David Clendening and Bruce Cunningham	Franklin Community School Corporation
Mick Bridgewater	Indiana Music Educators Association, Inc.
Mick Bridgewater	Indiana State School Music Association
Angie Balsley and Lisa Whitlow-Hill	Special Services Johnson County & Surrounding Schools
Michele Moore and Richard Hansen	Metropolitan School Corporation of Martinsville
Tim Edsell and Alison Randolph	Nineveh-Hensley-Jackson United School Corporation
Mike Wilcox and Larry DeMoss	Richland Bean-Blossom Community School Corporation
Robert Evans and Monica Douglas	Shelby Eastern Schools
Paula Maurer and Mike Swigert	Southwestern School District of Shelby County

Trust Officers

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

<u>Name</u>	<u>Title</u>
David Bauman	President
Tim Edsell	Vice President
Maureen Pinnick	Secretary/Treasurer

Board of Trustees

The Trust is managed by the Trustees. Their duties include overseeing the administration of the Trust, approving premium rates, and managing investments, pursuant to the provisions of the Trust Agreement.

Julie Burton is the Director of Trust Operations (Director) and a contracted employee of Special Services Johnson County & Surrounding Schools. She has worked with the Trust since 1992. The Director is responsible for all aspects of daily operations and preparing reports to the Trustees. With limited staff, the lack of segregation of duties significantly compromises internal controls. However, the Trust has developed a network of committees and outsourced actuary, advisors, auditors, and legal counsel to provide oversight, in order to mitigate risk, promote transparency, and assist the Trust in achieving its goals.

The Trust maintains the following committees:

- Administrative Review Committee
- Appeals Committee
- Executive Committee
- Investment Committee
- Nominating Committee
- Plan Performance Committee

Claims Appeals and Complaints

The Appeals 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 third-party administrator Anthem Insurance Companies, Inc., doing business as Anthem Blue Cross and Blue Shield (Anthem), they can submit their claim to the Appeals Committee. The Appeals Committee reviews disputed claims for payment eligibility and makes recommendations to the Trustees.

CORPORATE RECORDS

Trust Agreement

The Trust's Third Amended and Restated Agreement and Declaration of Trust, effective January 1, 2013, and signed by all trustees, addresses the design and operation of the Trust which includes:

- The required minimum size of the Trust
- Participating employers definition and coverage obligations
- Equitable participating employer representation on the Trustees
- Minimum fund balance requirements
- Tax-exempt status as 501(c)(9)
- Terms for addition of participating employers, premium payments, withdrawal of participating employers, and responsibilities for obligations of participating employers upon termination of the Trust
- Use of service providers
- Various other benefit and fund requirements and restrictions

Bylaws

The bylaws were amended effective June 7, 2012, to reflect the Trustee ability to adopt, amend, or repeal any bylaw if approved by a two-thirds vote by the Trustees in attendance.

Minutes

The Trustee 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.

Medical and Dental Plan Documents

The Trust's Medical and Dental Plan Documents, updated annually, define the Trust's health and dental benefit offerings as administered by Anthem. The Health and Dental Benefit Booklets are comprehensive documents with claims processes, covered services, general provisions to include compliance with statutory requirements, member rights and responsibilities, notices of federally mandated patient protections, and the schedule of benefits. The examination noted no instances where the Trust provided benefits contrary to the benefits defined in the Medical and Dental Plan Documents.

Administrative Service Agreement

Effective November 1, 2009, the Trust and Anthem entered into an Administrative Service Agreement. Anthem shall administer complaints and appeals, administer enrollment of eligible persons and terminations of Members as directed by the Trust, maintain and build the Trust's provider network, perform case management, process claims and claims appeals, and any other administrative services required by the Trust. Amendments are in place, at least annually, with the most recent contract change as of November 1, 2014, for the current examination period.

Consultant Service Agreement

Effective October 21, 2015, the Trust and JA Benefits, LLC entered into a Consultant Service Agreement to provide the following services as of November 1, 2015: assistance in developing a multiyear strategic plan, attend and facilitate Trust meetings, develop and coordinate wellness program services, evaluate financial performance of Trust, identify core administrative services and provide education on HSA plans. The previous consultant was Neace Lukens Holding Company and notice of termination was provided by the Trust as of October 28, 2015.

Clinic Management Agreement

Effective November 15, 2010 and amended July 1, 2012, the Trust and Johnson Memorial Hospital entered into a Clinic Management Agreement to communicate clinic information to eligible employees and operate a clinic with performance of medical services.

Clinic Management Agreement

Effective April 30, 2013, the Trust and OnSiteSolutions, LLC (OnSite) entered into a Clinic Management Agreement in which OnSite owns and operates a program designed to coordinate a health care clinic for local employers. OnSite operates and manages the program and provides medical services for the Trust's clinic. The Trust partnered with Hoosier Heartland School Trust for this clinic location with fees allocated based on the number of employees participating in the clinic.

Clinic Sharing Agreement

Effective November 1, 2014, the Trust entered into a Clinic Sharing Agreement with Spencer-Owen Community Schools and WV/WCI School Trust (WV/WCI) for use of a clinic operated by Wellness for Life Medical, LLC. The contract allows the participating employees of Richland Bean-Blossom School Corporation, a member of the Trust, to utilize the WV/WCI clinic in Spencer, Indiana, in exchange for an equitable sharing of related expenses.

Clinic Development and Monitoring Agreement

Effective March 1, 2014, the Trust entered into a Clinic Development and Monitoring Agreement with MTW Consulting, Inc., to assist in the development and monitoring of multiple clinics and clinic related services.

Life Insurance Group Policy

Effective November 1, 2011, the Trust entered into a Life Insurance Group Policy with Hartford Life and Accident Insurance Company for life insurance that includes accidental death and dismemberment coverage as well as long-term disability and voluntary life insurance to participating employees.

HIPAA Risk Analysis Agreement

Effective March 4, 2013, the Trust entered into a HIPAA Risk Analysis Agreement with Infotex, Inc., to facilitate the creation of an information technology security management process and to provide ongoing compliance support.

Independent Auditor Agreement

The Trust engaged Brady Ware & Schoenfeld (Brady) to audit the financial statements of the Trust as of October 31, 2015 effective November 18, 2015. The independent audit report as of October 31, 2015, was issued with an unqualified opinion. Kemper CPA Group LLP, formerly known as Larry E. Nunn & Associates, served as the Trust's independent auditor prior to Brady during the examination period.

Actuarial Engagement Agreement

Effective August 1, 2015, The Trust entered into an Actuarial Engagement Agreement with Nyhart to provide the actuarial certification of the Trust's operations and funding. The actuarial report of the Trust as of October 31, 2015, was signed by Randy Gomez, FSA, MAAA. The previous actuary engaged by the Trust during the examination period was Holmes Murphy & Associates.

Legal Services Agreement

Effective December 8, 2011, 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 October 31, 2015, there was no pending litigation. Additionally, no instances of federal regulatory noncompliance were identified during the examination.

Investment Agency Agreement

Effective September 29, 2005, the Trust entered into an Investment Agency Agreement with National Bank of Indianapolis whereby National Bank of Indianapolis acts as the Trust's investment agent.

Software Agreement

Effective December 18, 2013, the Trust entered into a Software Agreement with Gordon Flesch Company, Inc., to provide electronic document cloud storage, email service, IT support, and website service.

FIDELITY BOND

The Trust protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity policy issued by The Ohio Casualty Insurance Company. The policy has a single loss coverage limit of \$500,000 with a \$0 deductible. No exceptions were noted with regard to fidelity coverages held.

REINSURANCE

Stop Loss Policy

Effective November 1, 2009, and amended effective November 1, 2014 through October 31, 2015, the Trust entered into a Stop Loss Policy with Anthem. The policy includes specific stop loss limit of \$250,000 per member and a minimum aggregate stop loss limit of \$19,363,800.

ACCOUNTS AND RECORDS

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

FINANCIAL STATEMENTS

SOUTH CENTRAL INDIANA SCHOOL TRUST
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
As of October 31, 2015

<u>ASSETS</u>	<u>Per Examination*</u>
Investments at fair value	
Cash – interest bearing	\$ 4,667
Money market funds	15,349
Bond funds	188,100
U.S. government securities	4,074,185
Mutual funds – equities	583,867
Total investments at fair value	<u>4,866,168</u>
Cash, non-interest bearing	807,661
Totals	<u>\$ 5,673,829</u>

LIABILITIES AND FUND BALANCE

Liabilities

Deferred contributions	\$ 368,543
Accounts payable	102,483
Claims payable	215,933
Obligations for claims incurred but not reported	1,507,000
Totals Liabilities	<u>2,193,959</u>

Fund Balance

Restricted reserves – supplemental contribution reserve	5,202,803
Unrestricted reserves	(1,722,933)
Total Fund Balance	<u>3,479,870</u>
Total Liabilities and Fund Balance	<u>\$ 5,673,829</u>

* 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 and fund balance lines may have been moved, for analytical purposes.

SOUTH CENTRAL INDIANA SCHOOL TRUST
STATEMENT OF REVENUE, EXPENSE AND CHANGE IN FUND BALANCE
As of October 31, 2015

<u>REVENUE</u>	Per Examination*
Premiums – school district contributions	\$ 19,560,996
Premiums – COBRA contributions	36,879
Total premium revenue	<u>19,597,875</u>
Less, premiums paid for life, and disability (<i>pass-through revenue</i>)	(551,276)
Less, reinsurance premiums paid	<u>(937,069)</u>
Net health insurance premiums	18,109,530
Investments – increase (decrease) in fair value of investments	64,738
Investments – interest/dividend income	31,576
Less, investment expenses	<u>(18,721)</u>
Total Revenue	<u>\$ 18,187,123</u>
<u>EXPENSES</u>	
Claims – healthcare	\$ 18,257,195
Claims – change in liability	<u>178,933</u>
Net claims expense	18,436,128
Administrative expense	<u>1,299,693</u>
Total Expenses	<u>19,735,821</u>
<u>CHANGE IN FUND BALANCE</u>	
Net income (loss)	(1,548,698)
Fund balance, beginning of period	<u>5,028,568</u>
Fund balance, end of period	<u>\$ 3,479,870</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 October 31, 2015, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no significant issues identified during the course of the examination.

SUBSEQUENT EVENTS

Actuarial Services Agreement

Effective February 10, 2016, the Trust entered into an Actuarial Services Agreement with Milliman, Inc. (Milliman), facilitated on behalf of the relationship between JA Benefits and the Trust. Milliman will provide actuarial services for the Trust.

There were no other events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

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

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

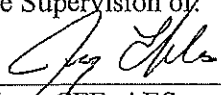
This examination was performed in accordance with those limited scope procedures guided by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted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

The attached limited scope Report of Examination is a true and complete report of condition of South Central Indiana School Trust as of October 31, 2015, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

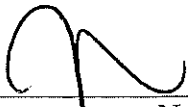
State of: Indiana
County of: Marion

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

