

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

IN THE MATTER OF:)

)
)
Educational Service Center Risk Funding Trust)
1027 West Rudsill Boulevard)
Fort Wayne, Indiana 46807)

Examination of: **Educational Service Center Risk Funding Trust**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Educational Service Center Risk Funding Trust any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 10, 2024 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 Educational Service Center Risk Funding 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.

June 20, 2024
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7019 0700 0000 3590 3178

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

BEFORE THE INDIANA
COMMISSIONER OF INSURANCE

IN THE MATTER OF:

Educational Service Center Risk Funding Trust
1027 West Rudsill Boulevard
Fort Wayne, Indiana 46807

Examination of: **Educational Service Center Risk Funding Trust**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Educational Service Center Risk Funding Trust (hereinafter “Company”) for the time period January 1, 2017 through December 31, 2021.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on April 17, 2023.

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 May 10, 2024 and was received by the Company on May 13, 2024.

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 Educational Service Center Risk Funding Trust as of December 31, 2021.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Educational Service Center Risk Funding 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 20th day of
June, 2024.



Amy L. Beard
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.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

Educational Service Center Risk Funding Trust

NAIC Co. CODE 14489

As of and for the fiscal year ending

December 31, 2021

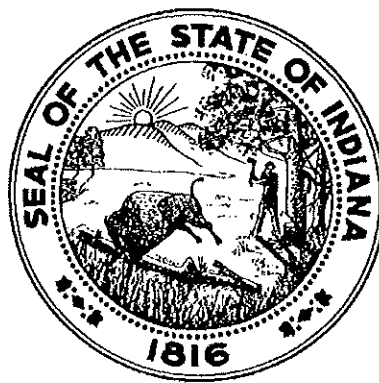


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-234-2103
Website: in.gov/doi

April 17, 2023

Honorable Amy Beard, 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 4124, an examination was performed of the affairs and financial condition of:

Educational Service Center Risk Funding Trust
1027 West Rudsill Boulevard
Fort Wayne, Indiana 46807

Educational Service Center Risk Funding Trust (ESCRFT or the Trust) is an Indiana School Trust, which offers a risk-pooling vehicle for the Indiana K-12 school community.

Ingardus, LLC conducted the examination remotely with the cooperation of ESCRFT.

The Report of Examination, reflecting the status of the Trust as of and for the fiscal year ending December 31, 2021, is respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389	COMPANY COMPLIANCE 317-232-3495	CONSUMER SERVICES 317-232-2395/1-800-622-4461	FINANCIAL SERVICES 317-232-2390	MEDICAL MALPRACTICE 317-232-5253	COMPANY RECORDS 317-232-2383	STATE HEALTH INSURANCE PROGRAM 1-800-452-4800
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SCOPE OF EXAMINATION

Representatives of the Indiana Department of Insurance (the Department) last examined the Trust for the period ending December 31, 2016. Ingardus, LLC (Ingardus) performed an examination of the Trust for the period from January 1, 2017 through December 31, 2021. The examination included all material transactions and events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Trust and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Trust were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting. 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 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 the examination report but separately communicated to other regulators and/or the Trust.

HISTORY

ESCRFT is an Indiana school trust pursuant to IC 20-42.5-2-1 and Rule 760 Indiana Administrative Code 1-75. The Trust is a risk-pooling vehicle offered to Indiana K-12 school communities. The Trust began operations on January 1, 2008, with nine (9) educational participants and as of December 31, 2021 had eighty-six (86) educational participants.

SURPLUS

As of December 31, 2021, the Trust's fund balance was \$2,828,582. Educational participants do not vest in the fund balance; however, the Trust may make distributions, based on specific minimum funding requirements. Since inception, no fund balance distributions have been made.

TERRITORY AND PLAN OF OPERATION

The Trust is authorized to provide property and casualty insurance, worker's compensation insurance, automobile liability, professional liability, boiler and machinery insurance, crime, and other lines of insurance to Indiana public school corporations and educational service centers. As of December 31, 2021, the Trust has eighty-six (86) educational participants listed below:

- **Region 1**
 - Barr-Reeve Schools
 - Bloomfield School District
 - Eastern Greene Schools
 - Greater Jasper Consolidated School Corporation
 - Knox County Special Education Cooperative
 - MSD of Mt. Vernon
 - MSD of Shakamak
 - MSD of North Posey County
 - Northeast Dubois County School Corporation
 - North Daviess Community School Corporation
 - North Lawrence Community Schools
 - Orleans Community School Corporation
 - Paoli Community Schools
 - Perry Central Community School Corporation
 - Posey County Special Services
 - South Spencer School Corporation
 - Southeast Dubois County School Corporation
 - Southern Indiana Education Center
 - Tell City-Troy Township School Corporation
 - Twin Rivers Career & Technical Education Area
 - Vincennes Community School Corporation
 - Washington Community Schools
 - White River Valley School Corporation
- **Region 2**
 - Batesville Community Schools
 - Madison Area Educational Special Services Unit
 - Medora Community Schools
 - South Ripley Community School Corporation
 - Southwestern Jefferson County CSC
- **Region 3**
 - Area 30 Career Center Educational Interlocal
 - Brown County Schools
 - Eminence Community School Corporation
 - Mill Creek Community School Corporation
 - North Vermillion Community School Corp
 - North West Hendricks School Corporation
 - Old National Trail Special Services Co-op
 - Richland Bean Blossom Community School Corp
 - South Putnam Community School Corporation
 - South Vermillion School Corporation
 - Southwest Parke Community School Corporation
 - West Central Indiana Educational Service Center
- **Region 4**
 - Bartholomew Consolidated School Corporation
 - Cowan Community School Corporation
 - East Central Educational Service Center
 - Elwood Community School Corporation
 - Randolph Central School Corporation
 - South Henry School Corporation
 - Wes-Del Community Schools
 - Yorktown Community Schools
- **Region 5**
 - Carroll Consolidated School Corporation
 - Delphi Community School Corporation
 - Rossville Consolidated School District
 - Sheridan Community Schools
 - Southeast Fountain School Corporation
 - Tri-County School Corporation
 - Twin Lakes School Corporation
 - Wabash Valley Education Center
- **Region 6**
 - Griffith Public Schools
 - Kankakee Valley School Corporation
 - Lake Station Community Schools
 - North Newton School Corporation
 - Northwest Indiana Educational Service Center
 - Northwest Indiana Special Educational Co-op
 - Porter Township School Corporation
 - School Town of Munster
- **Region 7**
 - Argos Community School Corporation
 - Joint Educational Services in Special Ed
 - MSD of New Durham Township
 - Northern Indiana Educational Service Center
 - Oregon-Davis School Corporation
 - Prairie Heights Community School Corporation
 - Rochester School Corp
 - Tippecanoe Valley School Corporation
 - Tri-Township Consolidated School Corporation
 - Triton School Corporation
 - Union-North United School Corporation
 - Westview School Corporation

- **Region 8**
 - Adams Central Community Schools
 - East Allen County Schools
 - Heartland Career Center
 - Jay School Corporation
 - Madison-Grant United School Corporation
 - Region 8 Education Service Center
- **Region 8 (continued)**
 - South Adams Schools
 - Whitko Community School Corporation
- **Region 9**
 - Community School Corp of Southern Hancock
 - MSD of Martinsville

GROWTH OF THE TRUST

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

Year	Admitted Assets ^A	Liabilities ^B	Fund Balance	Contributions	Net Contributions
2021	\$ 8,532,168	\$ 5,703,586	\$ 2,828,582	\$ 7,941,651	\$(267,785)
2020	7,909,198	4,812,831	3,096,367	6,274,920	964,033
2019	9,833,509	7,701,175	2,132,334	5,514,164	250,795
2018	6,959,888	5,103,086	1,856,802	4,469,712	(42,659)
2017	4,667,991	2,765,786	1,902,205	3,404,273	263,141

The largest factor in the growth of the Trust during the period of examination has been the increase in educational participants. The Trust's assets are held in qualified financial institutions.

MANAGEMENT AND CONTROL

Directors

The Trust Agreement states that each educational participant shall be entitled to appoint one (1) Trustee to the Trust. The Bylaws provide that the business affairs of the Trust are to be managed by a Board of Directors (Board) consisting of no less than three (3) directors, including two (2) Co-Chairpersons and a Secretary. As of December 31, 2021, Josh Wenning and Mary Roberson were Co-Chairpersons and Brian Christner was the Secretary.

CORPORATE RECORDS

Trust Agreement

The Trust Agreement is periodically amended to include the signatures of new educational participants.

Bylaws

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

^A 2021 and 2018 admitted assets have been adjusted, per the examination. See the Comments on the Financial Statements section of this Report of Examination.

^B 2021 and 2018 liabilities have been adjusted, per the examination. See the Comments on the Financial Statements section of this Report of Examination.

Minutes

The Board and committee meeting minutes for the period under examination, and for a period subsequent to the period under examination, were reviewed by the Examiners.

CONTRACT DOCUMENTATION

The following paragraphs describe the Trust's material contracts that were effective as of December 31, 2021:

Administrative Services Agreement

Effective January 1, 2008, the Trust and ONB Benefits Administration, LLC d/b/a J.W.F. Specialty Company, an Indiana Limited Corporation (JWF), entered into an Administrative Services Agreement. The purpose of the agreement is to authorize JWF to provide certain administrative and managerial services, which are defined in the agreement. Effective January 1, 2021, Addendum G was added to the contract, which renewed the contract through December 31, 2024.

Legal Services Agreement

Effective July 1, 2015, 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.

Independent Contractor Agreement – Dr. Carrie Milner

Effective January 1, 2018, the Trust entered into an Independent Contractor Agreement with Dr. Carrie Milner to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – East Central Educational Service Center

Effective January 1, 2018, the Trust entered into an Independent Contractor Agreement with East Central Educational Service Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – Northern Indiana Education Center

Effective January 1, 2018, the Trust entered into an Independent Contractor Agreement with Northern Indiana Education Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – Northwest Indiana Education Center

Effective January 1, 2018, the Trust entered into an Independent Contractor Agreement with Northwest Indiana Education Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – Region 8 Education Service Center

Effective January 1, 2018, the Trust entered into an Independent Contractor Agreement with Region 8 Education Service Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – Southern Indiana Education Center

Effective January 1, 2018, the Trust entered into an Independent Contractor Agreement with Southern Indiana Education Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – Wabash Valley Education Center

Effective January 1, 2018, the Trust entered into an Independent Contractor Agreement with Wabash Valley Education Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – West Central Education Center

Effective January 1, 2018, the Trust entered into an Independent Contractor Agreement with West Central Education Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Property Insurance Valuation Services

On January 21, 2018, the Trust engaged CBIZ Valuation Group LLC to provide the Trust with certain property insurance valuation services. An annual updating service to trend the previously valued pool members' property is available per the agreement.

Risk Management Services Agreement

On December 31, 2018, the Trust engaged Arthur J. Gallagher Risk Management Services, Inc. to provide certain insurance brokerage and administration services to the trust. The Agreement is effective through December 31, 2021.

Loss Control Service Agreement

Effective January 1, 2021, the Trust entered into an agreement with Gallagher Basset Services, Inc. to provide certain safety and risk control services to the Trust.

FIDELITY BOND

The Trust protects itself against loss from any fraudulent or dishonest acts through the purchase of a fidelity crime bond issued by Fidelity and Deposit Company of Maryland. The bond has single loss coverage for employee theft of \$1,000,000 per occurrence. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

EXCESS LOSS FUND INSURANCE PROTECTION

For 2021, the Trust carried excess insurance for claims that exceed the Trust's pre-established loss fund of \$7,048,000. The aggregate protection is \$2,000,000 in excess of the loss fund. Claims in excess of the Trust's aggregate protection become the responsibility of the participant and not the Trust.

ACCOUNTS AND RECORDS

The Trust's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Trust's general ledger for the year ended December 31, 2021, was agreed to the respective Annual Statements. The Trust's accounting procedures, practices, and account records were deemed satisfactory.

EDUCATIONAL SERVICE CENTER RISK FUNDING TRUST
Statement of Assets, Liabilities and Fund Balance
As of December 31, 2021

	Per Annual Statement	Examination Adjustment*	Per Examination*
ASSETS			
Cash	\$ 6,358,576	\$ 205,368	\$ 6,563,944
Amounts recoverable from reinsurers	1,967,427	-	1,967,427
Investment income due and accrued	797	-	797
Total Assets	<u>\$ 8,326,800</u>	<u>\$ 205,368</u>	<u>\$ 8,532,168</u>
LIABILITIES and FUND BALANCE			
Losses	\$ 3,938,895	\$ -	\$ 3,938,895
Loss adjustment expenses	373,554	-	373,554
Other expenses	26,154	-	26,154
Unearned premium	-	205,368	205,368
Advance premiums	159,615	-	159,615
Funds held by company under reinsurance treaties	500,000	500,000	1,000,000
Aggregate write-ins for liabilities	500,000	(500,000)	-
Total Liabilities	<u>5,498,218</u>	<u>205,368</u>	<u>5,703,586</u>
Fund Balance	<u>2,828,582</u>	<u>-</u>	<u>2,828,582</u>
	<u>\$ 8,326,800</u>	<u>\$ 205,368</u>	<u>\$ 8,532,168</u>

*The Trust understated admitted assets and liabilities by \$205,368. See the Comments on the Financial Statements section of this Report of Examination.

EDUCATIONAL SERVICE CENTER RISK FUNDING TRUST
Statement of Net Contributions and Changes in Fund Balance
For the fiscal year ending December 31, 2021

	<u>Per Examination*</u>
Net Contributions from participants:	
Commercial multiple peril	\$ 1,387,951
Workers compensation	2,973,512
Other liability - occurrence	1,219,019
Other liability - claims made	918,543
Commercial auto liability	1,014,873
Auto physical damage	427,129
Fidelity	624
Total contributions	<u>7,941,651</u>
Losses and other expenses	
Losses incurred	6,675,479
Loss adjustment expense	632,042
Other underwriting expenses	907,651
Total underwriting deductions	<u>8,215,172</u>
Net contributions, before investment income	(273,521)
Net investment income earned	5,736
Net Contributions	<u>\$ (267,785)</u>
Fund Balance, beginning of year	\$ 3,096,367
Net Contributions	(267,785)
Change in non-admitted assets	-
Fund Balance, end of year	<u>\$ 2,828,582</u>

*There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts

COMMENTS ON THE FINANCIAL STATEMENTS

The Trust misstated admitted assets and liabilities for unearned premiums for the years ended December 31, 2018 and 2021. Adjustments of \$1,835,938 and \$205,368, respectively, were made to correct the error in this Report of Examination. There was no net impact to the fund balance.

Additionally, as of December 31, 2021, the Trust misclassified \$500,000 of an amount held by company under reinsurance treaties as an aggregate liability write-in (i.e., Due to Third Party Administrator (TPA)). An adjustment was made to correct this error in this Report of Examination. There was no net impact to the fund balance.

There were no other recommended adjustments to the financial statements as of December 31, 2021, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no significant issues identified as of December 31, 2021, based on the results of this examination.

SUBSEQUENT EVENTS

There were no 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 she, in coordination with assistance from Ingardus, LLC, hereinafter collectively referred to as the "Examiners", performed an examination of the Educational Service Center Risk Funding Trust, as of and for the fiscal year ending December 31, 2021.

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

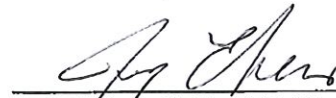
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing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

The attached Report of Examination is a true and complete report of the condition of Educational Service Center Risk Funding Trust as of and for the fiscal year ending December 31, 2021, as determined by the undersigned.



Angela L. Ohlmann, CPA, CGMA, CFE (Fraud), MCM
Ingardus, LLC
State of: Indiana
County of: Marion

Under the Supervision of:



Jerry Ehlers, CPA, CFE (Financial), AES
Examiner-in-Charge
Indiana Department of Insurance

On this 10th day of May, 2024, before me personally appeared, Angela L. Ohlmann 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: October 4, 2025


Notary Public

DARCY L. SHAWVER
NOTARY PUBLIC

SEAL

MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 700053

