

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

IN THE MATTER OF:)
)
Indiana Risk Management Association)
1680 East Washington Street)
Fort Wayne, IN 46803)

Examination of: **Indiana Risk Management Association**


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 Indiana Risk Management Association, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 18, 2019, 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 Indiana Risk Management Association 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.

May 27, 2020
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9223

STATE OF INDIANA) BEFORE THE INDIANA
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Indiana Risk Management Association)
1680 East Washington Street)
Fort Wayne, IN)

Examination of: **Indiana Risk Management Association**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Indiana Risk Management Association (hereinafter “Company”) for the time period March 9, 2012 through December 31, 2016.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on February 5, 2019.

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 18, 2019 and was received by the Company on December 23, 2019.

The Company did not file any objections.

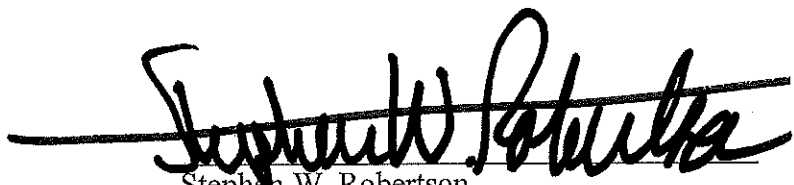
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

- 1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Indiana Risk Management Association as of December 31, 2016.
- 2. That the Examiner’s Recommendations are reasonable and necessary in order for the Indiana Risk Management Association 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 27 day of
May, 2020.


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.

Robert A. Shankel

*RS
6/20/11*

AFFIRMATION

I hereby affirm under penalties for perjury that I am the President of the Company, and that in those capacities I provided each of the members of the Board of Directors of the Company an opportunity to review the Report of Examination dated December 31, 2016 and that each of said directors informed me that he/she reviewed said report.

Date

President

Subscribed and sworn to before me this
_____ day of _____, 2020.

Notary Public

My commission expires: _____

AFFIRMATION

As required by Ind. Code § 27-1-3.1-12(b), I, an undersigned member of the Board of Directors of the Indiana Risk Management Association, under penalties of perjury, affirm that I have received a copy of the adopted report and related orders.

Judy Roy
PRESIDENT

David Armstrong

Jody Greer

Clair Knapp

Stephen Olson

Greg Smitley

Jaclyn Walters

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

INDIANA RISK MANAGEMENT ASSOCIATION
NAIC Co. CODE 14490

As of

December 31, 2016

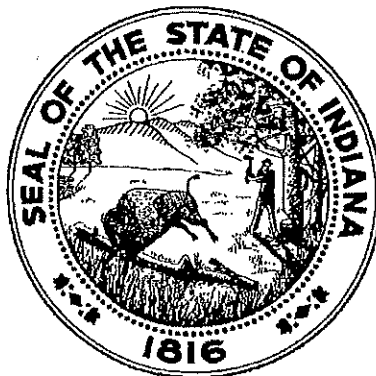


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February 5, 2019

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 3956, an examination has been made of the affairs and financial condition of:

**Indiana Risk Management Association
1680 East Washington Street
Fort Wayne, IN 46803**

hereinafter referred to as the "IRMA" or "The Trust", an Indiana risk pooling trust. The examination was conducted at the corporate offices of Noble Consulting Services, Inc. in Indianapolis, Indiana.

The Report of Examination, reflecting the status of The Trust as of December 31, 2016, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Trust has not been examined by representatives of the Indiana Department of Insurance (INDOI) prior to this examination. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from March 9, 2012 through December 31, 2016, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this 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.

Casualty Actuarial Consultants, Inc. provided all actuarial services throughout the examination and conducted a review of The Trust's actuarial related risks as of December 31, 2016.

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 Principles. 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

IRMA was established in 2011 to provide a risk pooling vehicle that allows Indiana's independent colleges and universities to better manage risk, contain insurance costs, and stabilize premium payments over the long term. It was hoped that IRMA would assist its participants to avoid the inherent pricing fluctuations and availability issues of the commercial insurance market. There were nine (9) founding schools of IRMA. Each school entered into a Trust Agreement which required the participating institutions to remain in The Trust for at least an initial three (3) year period ending April 30, 2014. Thereafter, participating educational institutions could withdraw from participation in The Trust effective the first day of any consortium year by delivering written notice of the withdrawal to the IRMA Trustees at least nine (9) months prior to the first day of the consortium year.

Effective January 1, 2015, Earlham College withdrew from The Trust leaving eight (8) members. Subsequent to the examination period, Rose Hulman withdrew on January 1, 2017 leaving The Trust with seven (7) members.

CAPITAL AND SURPLUS

The Trust does not issue shares of stock. The Trust had no start-up capital and has budgeted for revenues to just exceed expenses. Therefore, IRMA has a very low surplus position. Increases to surplus come from actual expenses being less than what was projected.

DIVIDENDS TO STOCKHOLDERS

The Trust does not have stockholders and therefore pays no dividends to stockholders.

TERRITORY AND PLAN OF OPERATION

The following schools are members of The Trust: Bethel College, Huntington University, Indiana Institute of Technology, Manchester University, Saint Mary-of-the-Woods College, Taylor University, and Trine University. As of December 31, 2016, there were eight (8) members and effective January 1, 2017 Rose Hulman withdrew from The Trust leaving seven (7) members.

IRMA facilitates the pooling of risk among the member campuses for certain exposures including: auto liability, casualty, cyber liability, educator's legal liability, general liability, property, and workers' compensation.

The retained risks that are jointly funded through The Trust include: auto liability, auto physical damage, campus security, crime, educator's legal liability, foreign liability, general liability, property, sexual abuse, sexual harassment, student practices, workers' compensation, and other exposures. These risks are "pooled" with a group self-insured retention shared by all members, with reinsurance providing protection for catastrophic losses. It is highly unlikely that health insurance or other employee benefits will be offered in connection with IRMA in the future even though they have the flexibility to do so.

The Trust is subject to regulation by the INDOI pursuant to IC 27-1-39-9.

GROWTH OF THE TRUST

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

| Year | Admitted Assets | Liabilities | Surplus and Other Funds | Premiums Earned | Net Income |
|------|--------------------|-------------|----------------------------|--------------------|------------|
| 2016 | \$ 1,798,932 | \$ 980,098 | \$ 818,834 | \$ 1,471,943 | \$ 525,658 |
| 2015 | 1,622,180 | 1,329,587 | 292,593 | 1,398,159 | 34,303 |
| 2014 | 2,014,636 | 1,755,763 | 258,873 | 1,385,734 | 29,217 |
| 2013 | 2,936,556 | 2,706,900 | 229,656 | 1,321,955 | (47,269) |
| 2012 | 994,512 | 755,927 | 238,585 | 1,322,043 | 162,692 |

Admitted assets consist entirely of cash accounts. Cash increased 34% from year-end 2015 to 2016, primarily due to positive cash flow from operations. The Trust's liabilities consist mainly of unpaid claims. The Trust increased surplus primarily due to positive net income. Net income increased due to a positive underwriting gain.

MANAGEMENT AND CONTROL

Directors

The Trust Agreement provides that the business affairs of The Trust are to be managed by a Board of Trustees (Trustees) consisting of a representative from each member school.

The following is a listing of persons serving as directors at December 31, 2016, and their principal occupations as of that date:

| <u>Name and Address</u> | <u>Principal Occupation</u> |
|--|--|
| David Armstrong Mishawaka, Indiana | Vice President for Business Services and Chief Financial Officer Bethel College |
| Jody Greer Angola, Indiana | Vice President for Finance Trine University |
| Clair Knapp Manchester, Indiana | Chief Business Officer and Vice President for Finance Manchester University |
| Stephen Olson Upland, Indiana | Vice President for Finance, Chief Financial Officer Taylor University |
| Judy Roy Fort Wayne, Indiana | Executive Vice President – Finance and Administration Indiana Institute of Technology |
| Greg Smitley Huntington, Indiana | Vice President of Finance and Treasurer Huntington University |
| Jaclyn Walters Saint Mary of the Woods, Indiana | Chief Financial Officer Saint Mary-of-the-Woods College |

Officers

The Trustees at the time of the Annual Meeting shall elect a President, who shall be a Trustee, a Vice President, who shall be a Trustee, a Secretary, who shall be a Trustee, and a Treasurer, who shall be a Trustee, to serve until the next Annual Meeting at the pleasure of the Trustees.

The following is a list of key officers and their respective titles as of December 31, 2016:

| <u>Name</u> | <u>Office</u> |
|-----------------|----------------|
| Judy Roy | President |
| Jody Greer | Vice President |
| David Armstrong | Treasurer |
| Greg Smitley | Secretary |

CORPORATE RECORDS

Trust Agreement

There were no amendments made to the Trust Agreement during the examination period.

Bylaws

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

Minutes

The Trustee's Meetings and Executive Committee Meetings were reviewed and no issues were identified.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of The Trust and at such time within that period as the Bylaws may provide. The Trust's Bylaws do not specify the date or time the annual meeting of shareholders is to be held. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

AFFILIATED COMPANIES

Organizational Structure

The Trust does not have any affiliates.

FIDELITY BOND AND OTHER INSURANCE

The Trust protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Travelers Casualty and Surety Company of America. The bond has a single loss coverage limit of \$250,000 with a \$25,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Trust does not sponsor pension, stock ownership, or insurance plans.

SPECIAL AND STATUTORY DEPOSITS

A statutory deposit is not required for this entity.

REINSURANCE

Ceded reinsurance is in place as of December 31, 2016 with Brit Global Specialty U.S.A, a Lloyds syndicate. Coverage includes all risks of property, general liability, automobile liability, educators' liability, employee benefits liability, crime, campus security activities liability, and student practices liability. Retention for Property is \$150,000 with reinsurance limits of "NIL." For general liability, auto liability, educators' legal liability, employee benefits liability, campus security, and student practices liability the retention is \$250,000 with limits of \$9,750,000. For workers' compensation, the retention is \$250,000 with limits of \$4,750,000.

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 years ended December 31, 2015 and December 31, 2016, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2012 through December 31, 2016, were agreed to each year's independent audit report without material exception. The Trust's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

INDIANA RISK MANAGEMENT ASSOCIATION

Assets

As of December 31, 2016

| | <u>Per Examination*</u> |
|--|-------------------------|
| Cash | <u>\$ 1,798,932</u> |
| Subtotals, cash and invested assets | <u>1,798,932</u> |
| Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts | <u>1,798,932</u> |
| Totals | <u>\$ 1,798,932</u> |

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

INDIANA RISK MANAGEMENT ASSOCIATION
 Liabilities, Surplus and Other Funds
 As of December 31, 2016

| | Per Examination* |
|---|------------------|
| Losses | \$ 710,570 |
| Loss adjustment expenses | 228,362 |
| Other expenses (excluding taxes, licenses and fees) | 39,756 |
| Dividends declared and unpaid: | |
| Policyholders | 1,410 |
| Total liabilities | \$ 980,098 |
| Unassigned funds (surplus) | 818,834 |
| Surplus as regards policyholders | 818,834 |
| Total | \$ 1,798,932 |

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

INDIANA RISK MANAGEMENT ASSOCIATION
Statement of Income
For the Year Ended December 31, 2016

| | <u>Per Examination*</u> |
|--|-------------------------|
| Premiums earned | \$ 1,471,943 |
| Losses incurred | 602,647 |
| Loss adjustment expenses incurred | 131,672 |
| Other underwriting expenses incurred | <u>213,376</u> |
| Total underwriting deductions | <u>947,695</u> |
| Net underwriting gain | 524,248 |
| Net investment income earned | <u>1,410</u> |
| Net investment gain | <u>1,410</u> |
| Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes | <u>525,658</u> |
| Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes | <u>525,658</u> |
| Net Income | <u>\$ 525,658</u> |

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

INDIANA RISK MANAGEMENT ASSOCIATION
Capital and Surplus Account Reconciliation

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Surplus as regards policyholders, December 31 prior year | \$ 292,593 | \$ 258,873 | \$ 229,656 | \$ 238,585 | \$ 79,414 |
| Net income | 525,658 | 34,303 | 29,217 | (47,269) | 162,692 |
| Change in nonadmitted assets | 583 | (583) | - | 38,340 | (3,521) |
| Change in surplus as regards policyholders for the year | 526,241 | 33,720 | 29,217 | (8,929) | 159,171 |
| Surplus as regards policyholders, December 31 current year | <u>\$ 818,834</u> | <u>\$ 292,593</u> | <u>\$ 258,873</u> | <u>\$ 229,656</u> | <u>\$ 238,585</u> |

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2016, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues as of December 31, 2016, based on the results of this examination.

SUBSEQUENT EVENTS

Subsequent to the examination period, Rose Hulman withdrew on January 1, 2017 leaving The Trust with seven (7) members.

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., hereinafter collectively referred to as the "Examiners", performed an examination of Indiana Risk Management Association, as of December 31, 2016.

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 condition of Indiana Risk Management Association as of December 31, 2016, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

Under the Supervision of:

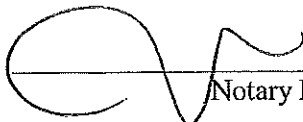


Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 12 day of February 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

