

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

IN THE MATTER OF: )  
 )  
**School Employee's Benefit Trust** )  
**424 East South A Street** )  
**Gas City, Indiana 46933** )

Examination of: **School Employee's Benefit 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 School Employee's Benefit Trust, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on January 4, 2022, 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 School Employee's Benefit 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.

2/15/2022  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6437**

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

IN THE MATTER OF: )  
 )  
**School Employee's Benefit Trust** )  
**424 East South A Street** )  
**Gas City, Indiana 46933** )

Examination of: **School Employee's Benefit Trust**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the School Employee's Benefit Trust (hereinafter "Company") for the time period January 1, 2015 through December 31, 2019.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on June 3, 2021.

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 January 4, 2022 and was received by the Company on January 7, 2022.

The Company did not file any objections.

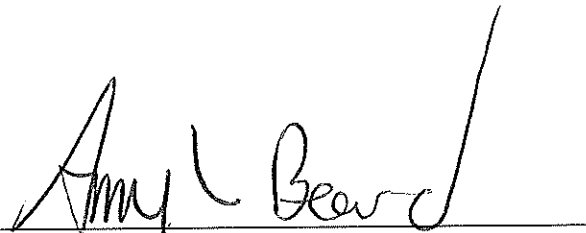
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the School Employee's Benefit Trust as of December 31, 2019.
2. That the Examiner's Recommendations are reasonable and necessary in order for the School Employee's Benefit 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 15 day of  
February, 2022.

  
\_\_\_\_\_  
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 THE LIMITED SCOPE EXAMINATION**

**OF**

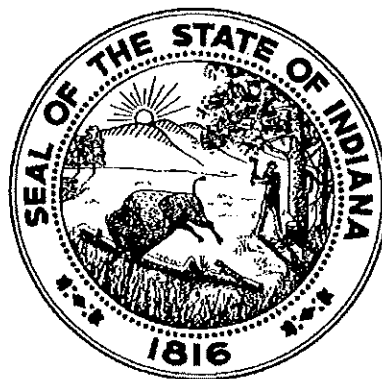
**SCHOOL EMPLOYEES' BENEFIT TRUST**

**A MULTIPLE EMPLOYER WELFARE ARRANGEMENT**

**NAIC Co. CODE 15944**

As of

December 31, 2019



**TABLE OF CONTENTS**

SALUTATION.....1

SCOPE OF EXAMINATION .....2

HISTORY.....2

TERRITORY AND PLAN OF OPERATION.....2

GROWTH OF THE TRUST .....3

MANAGEMENT AND CONTROL.....3

    Trustees .....3

    Trust Officers .....4

    Board of Trustees .....4

CORPORATE RECORDS.....4

    Trust Agreement.....4

    Bylaws.....4

    Minutes.....4

CONTRACT DOCUMENTATION .....5

FIDELITY BOND.....6

REINSURANCE.....6

    Excess Loss Fund Insurance Protection .....6

ACCOUNTS AND RECORDS .....6

FINANCIAL STATEMENTS .....7

    Statement of Assets, Liabilities and Fund Balance .....7

    Statement of Revenue, Expenses and Change in Fund Balance .....8

COMMENTS ON THE FINANCIAL STATEMENTS .....9

OTHER SIGNIFICANT ISSUES .....9

SUBSEQUENT EVENTS.....9

AFFIDAVIT .....10

June 3, 2021

Honorable Amy L. 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 4066, an examination was performed of the affairs and financial condition of:

**School Employees' Benefit Trust**  
**424 East South A Street**  
**Gas City, IN 46933**

School Employees' Benefit Trust is a Multiple Employer Welfare Arrangement (MEWA) formed to provide health and other benefits covering all eligible employees and retirees of participating educational institutions that are located in the State of Indiana.

Ingardus, LLC conducted the examination remotely with the cooperation of School Employees' Benefit Trust.

The Report of Examination, reflecting the status of the Trust as of December 31, 2019, is respectfully submitted.

## SCOPE OF EXAMINATION

Representatives of the Indiana Department of Insurance (the Department) have not previously examined the School Employees' Benefit Trust (the Trust). Ingardus, LLC (Ingardus) performed a limited scope examination of the Trust for the period from January 1, 2015 through December 31, 2019. The examination included all material transactions and events occurring subsequent to the examination date and noted during the course of the examination.

The limited scope examination was conducted using agreed upon procedures provided by the Department. Ingardus performed the examination of the Trust in order to evaluate its statutory compliance, financial condition, and to identify possible prospective risks of the Trust. During the examination, Ingardus obtained certain information pertaining to the Trust, including corporate governance matters. The examination also included assessing the principles used and significant estimates made by management, and evaluated the overall financial statement presentation of the Trust.

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 was identified, the impact of such adjustment was documented separately following the Trust's financial statements.

This limited scope examination report is consistent with Indiana Code § 27-1-3.1-10. There may have been other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but were separately communicated to the Department and/or the management of the Trust.

## HISTORY

The Trust was established by the participating educational institutions (employers) in 1980 to provide health and related administrative services for the benefit of substantially all the employees and eligible retirees of participating employers. The Department determined that the Trust fell under its MEWA statutory authority and rules. The Trust submitted an application for MEWA registration with the Department in 2014. The Trust was granted a Certificate of Registration on December 2, 2014.

## TERRITORY AND PLAN OF OPERATION

The Trust offers group medical insurance and prescription drug benefits to eligible employees and retirees of participating school districts and an education center in northeastern Indiana. The benefits offered are self-funded. As of December 31, 2019, the Trust had 1,451 participating employees across twelve (12) employers.



## 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>
2019	\$11,652,499	\$2,024,907	\$9,627,592	\$347,208
2018	11,519,252	2,238,868	9,280,384	3,233,694
2017	8,348,644	2,301,954	6,046,690	394,507
2016	7,653,401	2,001,218	5,652,183	1,232,861
2015	6,369,322	1,950,000	4,419,322	(1,729,758)

The Trust's assets are held in qualified financial institutions. From January 1, 2015 through December 31, 2019, the Trust's Fund Balance exceeded the minimum statutory balance requirements set forth in 760 IAC 1-68-10.

## MANAGEMENT AND CONTROL

### Trustees

The Trust has a governing document, the Agreement and Declaration of Trust of the School Employees' Benefit Trust (Trust Agreement), with an effective date of September 23, 1980. The Trust Agreement was most recently revised on March 18, 2014. The Trust Agreement states that each participating employer school system shall elect two Trustees to serve a three-year term, with the exception of the participating Education Service Center. The Education Service Center shall appoint one trustee to a three-year term. Accordingly, there are twenty-three (23) Trustees of the Trust. One trustee must be a member of the employer's administration and one must be a certified employee of the collective bargaining unit of the employer. The bylaws require that the Trustees elect the following officer positions of Chairperson, Vice Chairperson, Secretary, Chairman of Benefits & Eligibility and Chairman of the Finance Committee. The term of office shall be two years.

The following is a listing of persons serving as Trustees as of December 31, 2019, and their respective participating employer.

<u>Name</u>	<u>Participating Employer</u>
Joel Mahaffey	Adams Central
Susie Byerly	Adams Central
Brad Yates	Bluffton-Harrison
Rebecca Stotlar	Bluffton-Harrison
Sheila Weiland	Eastbrook
Lisa Baker	Eastbrook
Bob Elson	Mississinewa
Jill Townsend	Mississinewa
Brent Lehman	North Adams
Andy Heim	North Adams
Matthew Taylor	Northern Wells
Deb Adams	Northern Wells
David McDivitt	Oak Hill
Deb Smith	Oak Hill
Pam Hawbaker	South Adams
Kristina Miller	South Adams
Don Watkins	Southeastern

Tim Garland  
Steve Darnell  
Kyle Penrod  
Kristie Nanney  
Todd Fleetwood  
Chris Gamble

Southeastern  
Southern Wells  
Southern Wells  
Whitley County  
Whitley County  
Region 8 Education Service Center

### Trust Officers

The following is a listing of persons serving as officers of the Trust as of December 31, 2019.

<u>Name</u>	<u>Title</u>
Jill Townsend	Chairman
Deb Smith	Vice Chairman
Susie Byerly	Secretary
Don Watkins	Chairman of Benefits & Eligibility
Lisa Baker	Chairman of the Finance Committee

### Board of Trustees

The Board of Trustees (Trustees) manages the Trust. The Trustees meet quarterly to review and oversee Trust operations. The Trustees' duties include overseeing the administration of the Trust, approving premium rates, engaging third party service providers and managing investments, pursuant to the provisions of the Trust Agreement. The Trust does not have any employees. Instead, the Trust has contracted with a third-party administrator (Administrator), Allied Benefit Systems, Inc., to perform the day-to-day operations of the Trust. All operational functions that are not performed by the Trustees or Administrator are outsourced to third party vendors.

The Trust utilizes a network of advisors, auditors, outside legal counsel and an outsourced actuary to provide additional oversight and advice to the Trustees, to mitigate risk, promote transparency, and assist the Trust in achieving its goals.

## **CORPORATE RECORDS**

### Trust Agreement

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

The Trust Agreement is consistent with Indiana statutory requirements and regulations. The examination noted the absence of any instances where the Trust was operating contrary to the provisions of the Trust Agreement.

### Bylaws

The Trust's current bylaws were adopted March 18, 2014. There were no amendments made to the bylaws during the examination period.

### Minutes

The Trustees 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, 2019:

### *Medical and Pharmacy Plan*

The Trust's plan documents are updated annually. The Trust's plan documents describe the Trust's medical insurance benefit offerings through the Aetna Signature Administrators Network. The summary plan descriptions are comprehensive documents, which describe plan coverages, and exclusions, claim processes, resources available, and include language concerning compliance and statutory requirements. The examination noted the absence of any instances where the Trust provided benefits that were contrary to the benefits defined in the plan documents selected for review.

### *Administrative Services Agreement*

Effective January 1, 2018, the Trust and Allied Benefit Systems, Inc. (Allied) entered into an Administrative Service Agreement whereby Allied agreed to provide claims and administration services, including COBRA benefit services, for the Trust through December 31, 2019. The Administrative Services Agreement was amended periodically during the examination period.

### *Medical Care Services Agreements*

The Trust has agreements with two (2) entities to provide open clinics for participants of the Trust.

Effective November 8, 2017, the Trust entered into an agreement with WeCare TLC, LLC to provide the open clinic services, with an option to renew the agreement in one-year increments through December 31, 2022.

Additionally, effective December 8, 2017, the Trust entered into an agreement with Activate Healthcare, LLC to provide open clinic services. This contract remains effective unless canceled by either party.

### *Consulting Agreement*

The Trust entered into an agreement with Shafley Plan Management Services, LLC (Shafley) effective September 1, 2013, whereby Shafley agreed to provide the following services: plan management and administrative advice including assisting with contract negotiations, vendor fees, audits; developing financial planning strategies; facilitating the contracting of legal, project, actuarial and other specialized services; providing rate setting and plan modeling underwriting/actuarial service; and working with employee consultant to provide member education services and retention. The contract remains effective unless canceled by either party.

### *Actuarial Services*

The Trust uses the services of Pepler Actuarial & Financial Consulting, LLC to provide the required actuarial certification of the Trust's operations and funding. The actuarial report of the Trust as of December 31, 2019 was signed by David Pepler, FSA, MAAA on March 12, 2020.

### *Fiscal Officers Agreement*

The Trust entered into an agreement with MCM CPAs & Advisors LLP effective April 1, 2018, to provide financial reporting and fiscal services. The contract remains effective unless canceled by either party.

### *Legal Services*

The Trust uses the services of Miller Burry & Brown, PC to provide legal support services. As of December 31, 2019 there were no pending litigation matters identified during the examination.

### *Independent Audit Agreement*

Effective December 3, 2019, the Trust entered into an agreement with Frush & Associates, Inc. to conduct the annual audit for the Trust. The independent audit report as of December 31, 2019 was issued with an unqualified opinion. Frush & Associates, Inc. changed its name to Frush Consulting, LLC effective January 1, 2020.

### *Other Insurance Policies*

The Trust protects itself against loss from fiduciary dishonesty through an insurance policy issued by the The Hanover Insurance Company. The policy has limits of \$500,000 per loss. The Trust also has a Terrorism Policy issued through a Lloyd's syndicate providing coverage of up to \$1,000,000 per loss.

### *Data Services*

The Trust obtains data administration to support open enrollment, enrollment changes and other data management needs including Affordable Care Act compliance services from Benelogic, LLC. The Trust receives its data warehouse services from Health Cost IQ LLC.

## **FIDELITY BOND**

The Trust protects itself against loss from any fraudulent or dishonest acts through the purchase of a fidelity crime bond issued by Zurich North America. The bond has a policy aggregate limit of liability of \$500,000. No exceptions were noted with regard to the fidelity coverage purchased by the Trust.

## **REINSURANCE**

### **Excess Loss Fund Insurance Protection**

The Trust has a stop loss policy with Companion Life Insurance Company. The coverage applies to medical and prescription drugs. For the policy period of January 1, 2019 through December 31, 2019, the specific stop loss limit was \$300,000 and the minimum aggregate stop loss limit was \$20,033,051. For two (2) specific covered persons the specific stop loss limit was \$450,000 and \$720,000, respectively.

## **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.

SCHOOL EMPLOYEES' BENEFIT TRUST  
Statement of Assets, Liabilities and Fund Balance  
As of December 31, 2019

	<u>Per Examination*</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,885,122
Refunds and rebates receivable	460,132
Prepaid expenses	307,245
Total Assets	<u>\$ 11,652,499</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts payable	\$ 24,907
Obligation for claims incurred but not reported	2,000,000
Total Liabilities	2,024,907
 Fund Balance	
Restricted reserves - supplemental contribution reserve	3,700,000
Unrestricted reserve	5,927,592
Total Fund Balance	9,627,592
 Total Liabilities and Fund Balance	 <u>\$ 11,652,499</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 fund balance line items may have been changed, for presentation purposes.

SCHOOL EMPLOYEES' BENEFIT TRUST  
Statement of Revenue, Expenses and Change in Fund Balance  
For the year ending December 31, 2019

	<u>Per Examination*</u>
<b>REVENUE</b>	
Net premiums	
Premiums - Employer contributions	\$ 14,489,418
Premiums - Employee contributions	6,186,288
Reinsurance premiums paid	(755,184)
Total net premiums	19,920,522
Net interest income	220,424
Total Revenue	20,140,946
 <b>EXPENSES</b>	
Claims paid, net of refunds and rebates	17,726,328
Subrogation of claims	(42,838)
Change in claims reserve	(200,000)
Wellness clinic fees	1,315,884
Administrative fees	314,934
Network fees	202,525
ACA management fees	87,900
Hospital utilization fees	68,496
Core enrollment fees	55,186
Data management fees	17,391
Consulting and other professional fees	217,056
Miscellaneous	30,876
Total Expenses	19,793,738
 <b>CHANGE IN FUND BALANCE</b>	
Net income	347,208
Fund balance, beginning of year	9,280,384
Fund balance, end of year	\$ 9,627,592

\* No financial adjustments were proposed; however, some revenue and expense line items may have been moved for presentation purposes.

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2019, based on the results of the examination.

### OTHER SIGNIFICANT ISSUES

Indiana Administrative Code section 760 IAC § 1-68-2(d)(7) states, in part, “The MEWA, other than a dental or vision, or both, only MEWA, must possess a written commitment, binder, or policy for stop-loss insurance issued by an insurer authorized to do business in this state providing the following: (B) Both specific and aggregate coverage with an aggregate retention of not more than one hundred twenty-five percent (125%) of the amount of expected claims for the next plan year and a specific retention amount annually determined by the actuarial report required by section 9 of this rule. Both the specific and the aggregate coverage must require all claims to be submitted within ninety (90) days after the claim is incurred and provide a twelve (12) month claims incurred period and a fifteen (15) month paid claims period for each policy year.”

The Trust’s stop-loss policy does not include the required language that all claims be submitted within ninety (90) days after the claim is incurred.

It is recommended that the Trust becomes compliant 760 IAC § 1-68-2(d)(7).

There were no other significant issues identified as of December 31, 2019, based on the results of this examination.

### SUBSEQUENT EVENTS

The Trust changed its Administrator from Allied Benefit Systems, Inc., to United Medical Resources (UMR), a United Healthcare company, effective January 1, 2020.

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

**Pandemic Risk:** On March 11, 2020, the World Health Organization declared an outbreak of the coronavirus (COVID-19). The extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and fieldwork, the effects of COVID-19 on this entity are not fully addressed within this examination report.





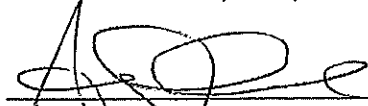
**AFFIDAVIT**

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 School Employees' Benefit Trust, as of December 31, 2019.

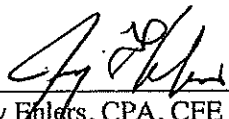
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures tailored for this examination by the Indiana Department of Insurance. 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 School Employees' Benefit Trust as of December 31, 2019, as determined by the undersigned.

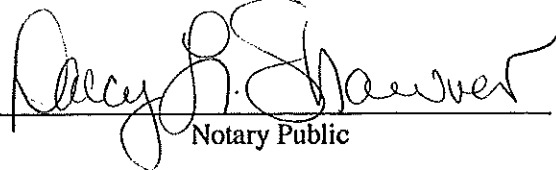
  
\_\_\_\_\_  
Angela L. Ohlmann, CPA, CGMA, CFE (Fraud), MCM  
Ingardus, LLC  
State of: Indiana  
County of: Marion

Under the Supervision of:

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

On this 10<sup>th</sup> day of February, 2022, 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 708063

