

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

IN THE MATTER OF: )  
 )  
**East Central Indiana School Trust** )  
**1601 Indiana Avenue** )  
**Connersville, Indiana 47331-2815** )

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

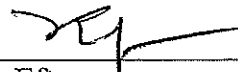
**NOTICE OF ENTRY OF ORDER**

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 East 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 4, 2018, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of East 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 0328**

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1601 Indiana Avenue )  
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Examination of: **East Central Indiana School Trust**

### FINDINGS AND FINAL ORDER

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

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

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

The Company did not file any objections.


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

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the East Central Indiana School Trust as of December 31, 2015.
2. That the Examiner's Recommendations are reasonable and necessary in order for the East 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 a name like "Michael J. ...".A smaller, dark, handwritten signature in cursive script, appearing to be a name like "John ...".

**STATE OF INDIANA**

**Department of Insurance**

**REPORT ON THE LIMITED SCOPE EXAMINATION**

**OF**

**EAST CENTRAL INDIANA SCHOOL TRUST**

**A MULTIPLE EMPLOYER WELFARE ARRANGEMENT**

**NAIC Co. Code 14469**

As of

December 31, 2015

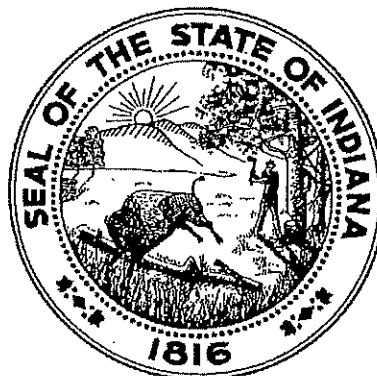


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# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

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## Indiana Department of Insurance

Stephen W. Robertson, Commissioner  
311 W. Washington Street, Suite 103  
Indianapolis, Indiana 46204-2787  
Telephone: 317-232-2385  
Fax: 317-232-5251  
Website: [in.gov/idoi](http://in.gov/idoi)

November 30, 2018

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

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3910, a limited scope examination has been made of the affairs and financial condition of:

**East Central Indiana School Trust**  
**1601 Indiana Avenue**  
**Connersville, Indiana 47331**

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

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

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
317-232-2413

COMPANY COMPLIANCE  
317-232-3495

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

FINANCIAL SERVICES  
317-232-2390

MEDICAL MALPRACTICE  
317-232-2402

COMPANY RECORDS  
317-232-5692

STATE HEALTH INSURANCE PROGRAM  
1-800-452-4800

## SCOPE OF EXAMINATION

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

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

All accounts and activities of the Trust were considered in accordance with the limited scope examination process. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Trust's financial 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 formed effective January 1, 1990, by six (6) participating employers with the objective of offering affordable health benefits to their employees, dependents, and retirees. The Trust is a MEWA and the Trust Agreement, as amended August 1, 2013, provides that the Trust is considered to be exempt from tax under section 115(1) of the Internal Revenue Code. As of December 31, 2015, the Trust was servicing eleven (11) participating employers.

## PLAN OF OPERATION AND TERRITORY

The Trust's objective is to provide self-funded medical, dental, and vision benefits, to eligible employees, retirees, and dependents of the participating employers. In addition, the Trust's participating employers have options to purchase fully-funded group term life and long term disability insurance and critical care coverage as pass-through benefits.

As of December 31, 2015, the Trust included eleven (11) participating employers and provided benefits to 1,140 participating employees.



## GROWTH OF THE TRUST

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

<u>Year</u>	<u>Assets</u>	<u>Liabilities *</u>	<u>Fund Balance</u>	<u>Change in Fund Balance</u>
2015	\$ 7,841,800	\$ 1,510,230	\$ 6,331,570	\$ (1,571,416)
2014	9,227,814	1,324,828	7,902,986	141,099
2013	8,944,628	1,182,741	7,761,887	1,673,140
2012	7,501,391	1,412,644	6,088,747	866,098
2011	6,780,705	1,558,056	5,222,649	1,171,335

\* For analytical purposes, amounts include administrative expenses, claims payable, third party administrator reimbursements payable and incurred but not reported reserve line items as applicable.

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

Claims and operational costs exceeded premiums paid to the Trust in 2015.

## MANAGEMENT AND CONTROL

### Trustees

In accordance with the Trust Agreement, a participating employer which consists of a school corporation is represented by two (2) Trustees. East Central Educational Service Center is a participating employer with less than one percent of the Trust eligible employees and is equitably represented by one (1) trustee.

The following is a listing of persons serving as Trustees at December 31, 2015; and their respective participating employers.

<u>Name</u>	<u>Participating Employer</u>
Scott Croner and Todd Hill	Blackford County Schools
Phil Stevenson and Brad Ream	Centerville-Abington Community Schools
Dennis Chambers and Mike Estep	Cowan Community School Corporation
Paul Garrison and Connie Sacksteder	Daleville Community Schools
Larry John	East Central Educational Service Center
Steve Welsh and Jenni McDaniel	Eastern Hancock School Corporation
Russ Hodges and Amanda Butcher	Fayette County School Corporation
William Doering and Betsy Swimm	Nettle Creek School Corporation
Laura Blessing and Julie Richmond	Northeastern Wayne School Corporation
Wes Hammond and Duke Falck	South Henry School Corporation
Mike Bush and Charlie Sims	Wes-Del School Corporation

### Trust Officers

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

<u>Name</u>	<u>Title</u>
Larry John	President
Dennis Chambers	Vice President
Todd Hill	Secretary/Treasurer

### Board of Trustees

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

Erin Riggle is the Director of Trust Operations (Director) for the Trust and is a contracted employee of East Central Educational Service Center that began her position in October 2013. The Director is responsible for administering all aspects of daily operations and preparing reports to the Trustees. With limited Trust staff, the lack of segregation of duties significantly compromises internal controls. However, the Trust has developed a network of committees, advisors, legal counsel, auditors, and actuaries 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 and Communications Committee
- Clinic Oversight Committee
- Plan Performance Committee
  - Audit Subcommittee
- Wellness Committee

### Claims Appeals and Complaints

The Trust's Appeals and Communications Committee (APC) reviews appeals in accordance with Indiana Public Law 232. If a claimant has exhausted their appeal options with the third party administrator, the claimant may submit their claim to the APC for consideration.

## **CORPORATE RECORDS**

### Trust Agreement

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

- Purpose of the Trust to provide benefits
- Definition of participating employers
- Administrative organization structure
- Duties of Trustees
- Participating Employer duties and terms for premium payments, addition or withdrawal of participating employers, and responsibilities upon termination of the Trust
- Various other benefit and fund requirements and restrictions
- Tax exempt status

### Bylaws

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

### Minutes

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

## CONTRACT DOCUMENTATION

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

### *Life and Long Term Disability Contract*

Effective June 1, 2009, each of the Trust's participating employers entered into separate pass-through group policies with Madison National Life Insurance Company, to provide life insurance that includes accidental death and dismemberment coverage as well as long-term disability insurance to participating employers. The benefits offered to participating employees are fully insured. The Schedule of Benefits are specific to each participating employer.

### *Medical, Dental, and Vision Plan Documents*

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

### *Administrative Service Agreement*

Effective January 1, 2009, the Trust and Anthem entered into an Administrative Service Agreement whereby, Anthem shall act as an independent contractor to process enrollments, perform claims administration services, and administer complaints and appeals. Amendments are in place, at least annually, with the most recent contract change as of the plan year ending December 31, 2015 effective January 1, 2015.

### *Consultant Service Agreement*

Effective January 1, 2015, the Trust and R. E. Sutton & Associates entered into a Consultant Service Agreement to provide for the following services: assist in developing strategic plans, assist in review of fee proposals, attend trust meetings, coordinate wellness programs, ensure strategic benchmarks, identify educational opportunities, manage vendor relationships, verify employee contributions, select and procure appropriate stop-loss terms.

### *HIPAA Risk Analysis Agreement*

Effective February 13, 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.

### *Clinic Development and Monitoring Agreement*

Effective August 1, 2013, 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.

*Clinic Services Agreement*

Effective March 1, 2014, the Trust entered into a contract with Fayette Memorial Hospital Association, Inc., d/b/a Fayette Regional Health System to provide clinic services to participating employees in defined areas of Indiana.

*Rental Equipment Agreement*

Effective November 8, 2013, the Trust entered into a Rental Equipment Agreement with Ricoh, to provide equipment and servicing for the Trust's printing and other electronic needs.

*Management Master Agreement*

Effective April 1, 2014, the Trust and QuadMed, LLC (QuadMed), amended the Trust's Management Master Agreement effective February 1, 2013 with Novia CareClinics, LLC, to transfer all rights, titles, and interests to QuadMed for health and wellness services provided at the Trust's clinics for eligible employees and dependents.

*Independent Auditor Agreement*

Effective January 5, 2016, the Trust engaged Brady Ware & Schoenfeld (Brady) to audit the financial statements of the Trust as of December 31, 2015. The independent audit report as of December 31, 2015, was issued with an unqualified opinion.

*Actuarial Services Agreement*

Effective January 8, 2016, the Trust entered into an Actuarial Services Agreement with Nyhart to provide the actuarial certification of the Trust's operations and funding as of December 31, 2015. The actuarial report of the Trust for the plan year as of December 31, 2015, was signed by Randy Gomez, FSA, MAAA and Evi Laksana, ASA, MAAA on March 21, 2016.

*Legal Services Agreement*

Effective January 6, 2007 and amended effective January 1, 2012, the Trust entered into a Legal Services Agreement with Bose McKinney & Evans LLP, to provide legal support services. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal. As of December 31, 2015, there was no pending litigation identified. Additionally, no instances of federal regulatory noncompliance were identified during the examination.

*Employer Medical Clinic Service Agreement*

Effective December 1, 2014, the Trust entered into an Employer Medical Clinic Service with Hancock Physician Network, LLC to provide clinic services to participating employees in defined areas of Indiana and reciprocity use of clinics with other partners.

*Critical Care Coverage Agreement*

Effective January 1, 2012, the Trust entered into a Critical Care Coverage Agreement with Reliance Standard Life Insurance Company for certain critical illnesses coverage.

*Software and Licensing Agreement*

Effective January 30, 2014, the Trust entered into a Software and Licensing Agreement with Thru, Inc., to provide software that includes services, technical support, and upgrades.

*Financial Advisory Services Agreement*

Diamond Capital Management was engaged by the Trust to provide equity portfolio management services.

### FIDELITY BOND

The Trust protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Federal Insurance Company. The bond has an aggregate loss coverage limit of \$5,000,000, with a \$5,000 deductible. No exceptions were noted with regard to fidelity coverages held.

### REINSURANCE

#### Stop Loss Policy

Effective January 1, 2015 through December 31, 2015, the Trust and Anthem entered into a Stop Loss Policy. The policy includes a specific stop loss limit of \$175,000 per member and a minimum aggregate stop loss limit of \$12,233,900.

### 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.

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

<u>ASSETS</u>	<u>Per Examination*</u>
Cash and cash equivalents	\$ 3,112,774
Investments	
Fixed income securities	1,752,528
Domestic equities	2,868,086
Foreign equities	75,763
Total	<u>7,809,151</u>
Prepaid Expenses	23,321
Interest receivable	9,328
Totals	<u>\$ 7,841,800</u>

LIABILITIES AND FUND BALANCE

<b>Liabilities</b>	
Accounts payable	\$ 152,418
Unearned member assessments	99,304
Claims payable	219,454
Incurred but not reported claims reserve	1,039,054
Totals Liabilities	<u>1,510,230</u>
<b>Fund Balance</b>	
Restricted reserves – supplemental contribution reserve	2,429,318
Unrestricted reserves	3,902,252
Total Fund Balance	<u>6,331,570</u>
Total Liabilities and Fund Balance	<u>\$ 7,841,800</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.

EAST CENTRAL INDIANA SCHOOL TRUST  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS  
As of December 31, 2015

<u>REVENUE</u>	<u>Per Examination*</u>
Premiums – school district contributions	\$ 13,019,467
Premiums – COBRA contributions	26,836
Total premium revenue	<u>13,046,303</u>
Less, premiums paid for disability and life insurance ( <i>pass-through revenue</i> )	(398,315)
Less, premiums paid for critical care insurance ( <i>pass-through revenue</i> )	(16,203)
Less, reinsurance premiums paid	<u>(1,608,273)</u>
Net health insurance premiums	11,023,512
Investments – Loss on sale of investments	(28,098)
Interest income	131
Total Revenue	<u>10,995,545</u>
<u>EXPENSES</u>	
Claims – healthcare	\$ 10,416,488
Claims – change in liability	212,270
Net claims expense	<u>10,628,758</u>
Clinic expense	946,930
Administrative expense	<u>991,273</u>
Total Expenses	<u>12,566,961</u>
<u>CHANGE IN FUND BALANCE</u>	
Net income (loss)	(1,571,416)
Fund balance, beginning of period	<u>7,902,986</u>
Fund balance, end of period	<u>\$ 6,331,570</u>

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

### COMMENTS ON THE FINANCIAL STATEMENTS

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

### OTHER SIGNIFICANT ISSUES

There were no significant issues identified during the course of the 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 he, in coordination with staff assistance from Noble Consulting Services, Inc., performed a limited scope examination of East Central Indiana School Trust, as of December 31, 2015.

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

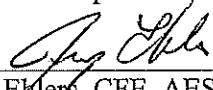
This examination was performed in accordance with those limited scope procedures guided by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted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

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

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

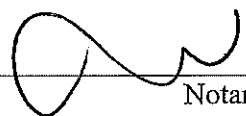
State of: Indiana  
County of: Marion

Under the Supervision of:

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

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

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

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

