

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

IN THE MATTER OF:)
)
Southern Indiana School Trust)
432 East 15th Street)
Ferdinand, Indiana 47532)

Examination of: Southern 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 Southern 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 Southern 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 0373

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

IN THE MATTER OF:)
)
Southern Indiana School Trust)
432 East 15th Street)
Ferdinand, Indiana 47532)

Examination of: **Southern Indiana School Trust**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Southern Indiana School Trust (hereinafter "Company") for the time period July 1, 2011 through June 30, 2016.

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 Southern Indiana School Trust as of June 30, 2016.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Southern 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, stylized handwritten signature in black ink, appearing to be written on a document. The signature is somewhat illegible due to its cursive and overlapping nature.A smaller handwritten signature in black ink, also appearing to be written on a document. It is more compact and less stylized than the signature on the left.

STATE OF INDIANA

Department of Insurance

REPORT ON THE LIMITED SCOPE EXAMINATION

OF

SOUTHERN INDIANA SCHOOL TRUST

A MULTIPLE EMPLOYER WELFARE ARRANGEMENT

NAIC Co. CODE 14475

As of

June 30, 2016

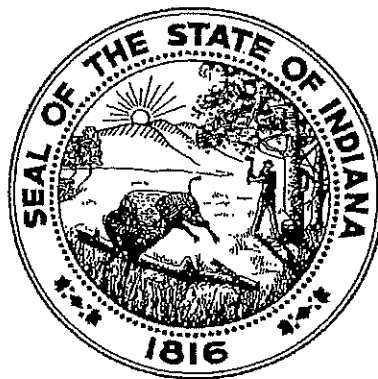


TABLE OF CONTENTS

SALUTATION.....1
SCOPE OF EXAMINATION.....2
HISTORY.....2
PLAN OF OPERATION AND TERRITORY.....2
GROWTH OF THE TRUST.....3
MANAGEMENT AND CONTROL.....3
 Trustees.....3
 Trust Officers.....4
 Board of Trustees.....4
 Claims Appeals and Complaints.....4
CORPORATE RECORDS.....4
 Trust Agreement.....4
 Bylaws.....5
 Minutes.....5
CONTRACT DOCUMENTATION.....5
FIDELITY BOND.....6
REINSURANCE.....6
ACCOUNTS AND RECORDS.....6
FINANCIAL STATEMENTS.....7
COMMENTS ON THE FINANCIAL STATEMENTS.....9
OTHER SIGNIFICANT ISSUES.....9
SUBSEQUENT EVENTS.....9
AFFIDAVIT.....10



STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/doi

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 3918, a limited scope examination has been made of the affairs and financial condition of:

Southern Indiana School Trust
432 East 15th Street
Ferdinand, Indiana 47532

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 June 30, 2016, 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 July 1, 2006 through June 30, 2011. The present limited scope examination was conducted by Noble Consulting Services, Inc. (Noble), and covered the period from July 1, 2011 through June 30, 2016, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

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

All accounts and activities of the Trust were considered in accordance with the limited scope examination process. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Trust's financial statements.

This limited scope examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within this limited scope examination report but separately communicated to the INDOI and/or the Trust.

HISTORY

The Trust was created on January 5, 1989, by ten (10) charter members as participating employers to provide affordable dental and vision coverage to eligible employees. As of June 30, 2016, the Trust maintained eight (8) participating employers. See the Subsequent Event section for notice of loss of a participating employer effective June 30, 2016. The Trust is a MEWA and is considered to be exempt from tax under section 115(1) of the Internal Revenue Code.

PLAN OF OPERATION AND TERRITORY

The Trust provides self-funded dental and vision coverage and employees participating in the Trust also have the ability to enroll in fully-funded life and long-term disability insurance. As of June 30, 2016, the Trust provided benefits to 830 participating employees in the dental plan and 956 participating employees in the vision plan.

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>
2016	\$ 636,429	\$ 71,878	\$ 564,551	\$ 91,551
2015	671,962	198,962	473,000	(20,270)
2014	691,546	198,276	493,270	(33,052)
2013	695,683	169,361	526,322	82,064
2012	617,138	172,880	444,258	(136,890)

* 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 examiners identified an immaterial difference of \$2,858 not explained in the 2014 Audited Financial Statements (AFS) relating to the prior year liabilities amount reported for obligations for claims incurred but not reported in 2014.

The Trust assets are held in a qualified financial institution. From July 1, 2011 through June 30, 2016, the Trust's Fund Balance exceeded the minimum statutory balance requirements.

MANAGEMENT AND CONTROL

Trustees

In accordance with the Trust Agreement, the Board of Trustees (Trustees) consists of two (2) voting representatives from each employer except Twin Rivers and Technical Education Area, which consists of ten (10) or less eligible employees and is a non-voting member of the Trust as defined by Trust Agreement.

The following is a listing of persons serving as Trustees at June 30, 2016, and their respective participating employers:

<u>Name</u>	<u>Participating Employer</u>
Ted Baechtold and Clinton Burch	Eastern School District of Greene Schools
Robert Bell and Tammy Byrer	North Daviess Community Schools
Bill Hochgesang and Beth Cave	Northeast Dubois County School Corporation
Tim Grove and Dawn Hitt	South Knox School Corporation
Richard Allen and Kathleen James	Southeast Dubois County School Corporation
Mike Eineman and Marsha Messmer	Southwest Dubois County School Corporation
Tony Whitaker and Kevin Knies	Springs Valley Community School Corporation
JT Roberts	Twin Rivers Career and Technical Education Area
Dan Roach and Kevin Stallman	Washington Community School Corporation *

* Note: See the Subsequent Event section regarding withdraw of Washington Community School Corporation from the Trust effective June 30, 2016.

Trust Officers

The following is a listing of persons serving as officers of the Trust as of June 30, 2016:

<u>Name</u>	<u>Title</u>
Bill Hochgesang	President
Kevin Knies	Vice President
Tammy Byrer	Secretary
Rick Allen	Treasurer

Board of Trustees

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

The Trust Treasurer for Southeast Dubois County School Corporation, Tracy Troesch, is primarily responsible for oversight of any limited daily or monthly operations and works closely with the Trust Consultant (see Contract Documentation section below), Trustees, and its advisors. With limited staff, the lack of segregation significantly compromises internal controls. However, the Trust has developed a network of advisors including an actuary, auditor, consultant, and legal counsel, to provide additional oversight in order to mitigate risk, promote transparency, and assist the Trust in achieving its goals.

The Trust maintains the following committees which meet on an as-needed basis:

- Benefits Committee
- Executive Committee
- Finance and Investment Committee

Claims Appeals and Complaints

The Trustees review appeals in accordance with Indiana Public Law 232 as-needed. The Trust's benefits consultant and attorney advise the Trustees on these matters.

CORPORATE RECORDS

Trust Agreement

The Restated Joint Program Agreement and Declaration of Trust, effective August 1, 2001, and signed by all participating employers, addresses the design and operation of the Trust which includes:

- Administrative organization of the Trust
- Powers and duties of the Trustees
- Duration and termination of the Trust
- Participating employers requirements
- Membership requirements
- Payment of expenses, premiums, and funding methods
- Tax exempt status of Trust under section 115(1) of Internal Revenue Code

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

Bylaws

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

Minutes

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

CONTRACT DOCUMENTATION

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

Plan Documents

The Trust holds group insurance plans with Guardian Life Insurance Company of America (Guardian) for dental and vision coverages. Specific plan offerings from Guardian are chosen by each participating employer individually. The Plan documents define the benefit eligibility, covered charges, and any coordination of benefits where applicable.

Administrative Service Agreement

Effective October 1, 2011, the Trust and Guardian entered an Administrative Service Agreement whereby, Guardian shall act as an independent contractor to administer complaints and appeals, perform claims administration services, and process enrollments.

Consultant Service Agreement

Effective December 1, 2006 and amended November 10, 2014, the Trust and JA Benefits, LLC entered into a Consultant Service Agreement to provide services including: assistance in the preparation and review of RFPs, coordination of the filing of all required documents, development of meeting agendas, preparation of information to the Trust to aid in their decision making processes, and recommendations and guidance to the Trustees on all matters to assist with Trust facilitation.

Independent Auditor Agreement

Effective August 9, 2016, the Trust and David Shinkle CPA, LLC entered into an Independent Auditor Agreement to conduct the annual audit as of June 30, 2016. The independent audit report as of June 30, 2016, was issued with an unqualified opinion. Previously, Kemper CPA Group, LLP and Larry E. Nunn and Associates served as the Trust auditor during the examination period.

Actuarial Engagement Agreement

Effective July 7, 2016, The Trust entered into an Actuarial Engagement Agreement with Nyhart to provide the actuarial certification of the Trust's operations and funding as of June 30, 2016. The actuarial report of the Trust for the plan year beginning July 1, 2016, was signed by Randy Gomez, FSA, MAAA and Evi Laksana, ASA, MAAA.

Legal Services Agreement

The Trust entered into a Legal Services Agreement with Bose McKinney & Evans LLP to provide legal support services at the inception of 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. As of June 30, 2016, there was no pending litigation identified during the examination. Additionally, no instances of federal regulatory noncompliance were identified during the examination.

Life and Long-term Disability Group Policy

The Trust holds a Life and Long-term Disability Group Policy with American United Life Insurance Company, a OneAmerica Company, to provide eligible employees Life and Long-term Disability coverage. The benefits offered to participating employees are fully insured.

COBRA Management Agreement

The Trust participating employers entered into a COBRA Management Agreement with Infinisource, Inc., to assist members with providing notices to qualified beneficiaries and various other duties related to COBRA. The most recent amendment with the Trust became effective January 9, 2014, to reflect the full name of the Trust and the most recent contact information with Tracy Troesch.

FIDELITY BOND

The Trust protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Pekin Fire Insurance Company. The bond has a single loss coverage limit of \$300,000, with a \$0 deductible. No exceptions were noted with regard to fidelity coverages held.

REINSURANCE

Stop Loss Policy

Per Rule 760 IAC 1-68-2 (7), stop loss reinsurance is not required for a Trust providing only dental and/or vision coverages and is not applicable for this Trust as of June 30, 2016.

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.

FINANCIAL STATEMENTS

SOUTHERN INDIANA SCHOOL TRUST
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

As of June 30, 2016

<u>ASSETS</u>	<u>Per Examination*</u>
Cash and cash equivalents	\$ 386,279
Certificate of deposit	250,000
Accrued interest	150
Totals	<u>\$ 636,429</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Deferred contributions	\$ 10,947
Claims payable and claims incurred but not reported	60,931
Total Liabilities	<u>71,878</u>
Fund Balance	
Restricted reserves – supplemental contribution reserve	386,279
Unrestricted reserves	178,272
Total Fund Balance	<u>564,551</u>
Total Liabilities and Fund Balance	<u>\$ 636,429</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.

SOUTHERN INDIANA SCHOOL TRUST
STATEMENT OF REVENUE, EXPENSE AND CHANGE IN FUND BALANCE
As of June 30, 2016

<u>REVENUE</u>	<u>Per Examination*</u>
Premiums – school district contributions	\$ 1,200,277
Total premium revenue	1,200,277
Less, premiums paid for disability and life insurance (<i>pass-through revenue</i>)	(263,276)
Net health insurance premiums	937,001
Investments – Interest income	1,331
Total Revenue	<u>938,332</u>
<u>EXPENSES</u>	
Claims – dental	676,032
Claims – vision	194,412
Claims – change in liability	(133,958)
Net claims expense	736,486
Administrative expense	110,295
Total Expenses	<u>846,781</u>
<u>CHANGE IN FUND BALANCE</u>	
Net income (loss)	91,551
Fund balance, beginning of period	473,000
Fund balance, end of period	<u>\$ 564,551</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 June 30, 2016, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

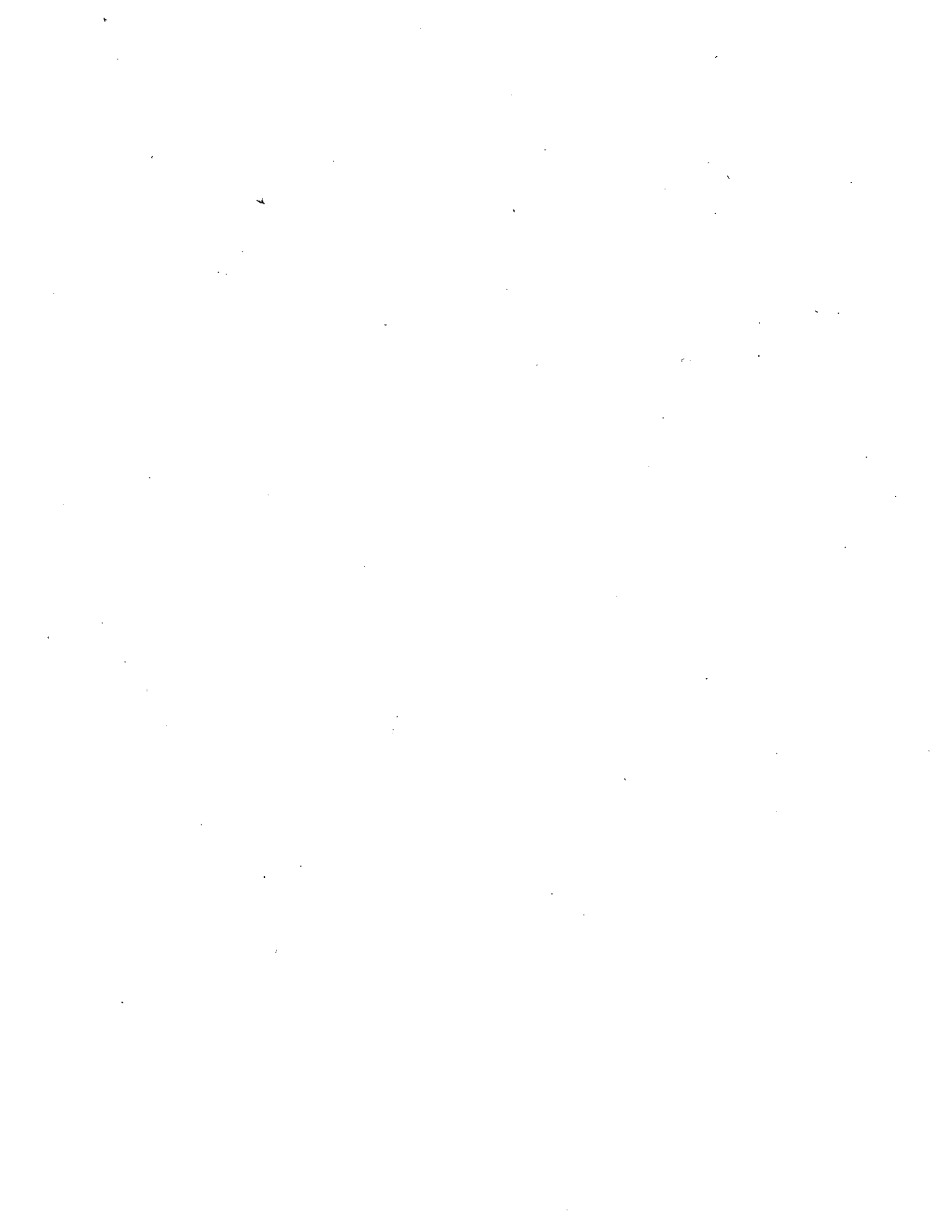
There were no significant issues identified during the course of the examination.

SUBSEQUENT EVENTS

Effective June 30, 2016, Washington Community Schools withdrew from the Trust.

Effective December 31, 2016, the Trust amended the Trust Agreement to note the changes to the participating employers as previously noted.

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



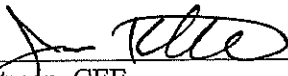
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., performed a limited scope examination of Southern Indiana School Trust, as of June 30, 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 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.

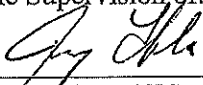
The attached limited scope Report of Examination is a true and complete report of condition of Southern Indiana School Trust as of June 30, 2016, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

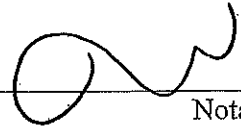
Under the Supervision of:



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

