

FILED
NOV 23 2021
Department of Insurance
State of Idaho *AM*

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:

CITY OF NAMPA EMPLOYEE WELFARE
BENEFIT TRUST

Idaho Registration No. 3968

Docket No. 18-4017-21

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
SEPTEMBER 30, 2019**

The Idaho Department of Insurance (“Department”), in accordance with Idaho Code §§ 41-219(1) and 41-4013(1), examined the affairs, transactions, accounts, records, and assets of City of Nampa Employee Welfare Benefit Trust (the “Trust”), for the period of October 1, 2014, through September 30, 2019. The Department then prepared a corresponding Report of Examination (“Report”) under Idaho Code §§ 41-227 and 41-4013(3).

Having reviewed the Report and record, the Department’s Director (“Director”) enters this order adopting the Report as filed.

FINDINGS OF FACT

1. The Trust is an Idaho-domiciled self-funded health care plan, which was duly registered with the Department on June 18, 2009, under Registration No. 3968.

2. The Department completed an examination of the Trust under Idaho Code §§ 41-219(1) and 41-4013(1) on or about October 15, 2021. The Report sets forth the Department’s findings.

3. Pursuant to Idaho Code § 41-227(4), the Department's examiner-in-charge filed the verified Report with the Department on October 15, 2021, and the Department transmitted a copy of the Report to the Trust on the same date. A copy of the verified Report is attached as Exhibit A.

4. Pursuant to Idaho Code § 41-4013(3), the Trust had four weeks from receipt of the Report to make written recommendations for corrections or changes to the Report. No such recommendations were received by the Department from the Trust.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5)(a) provides that, after "the period allowed for the receipt of written submissions or rebuttals" expires, the Director "shall fully consider and review the report, together with any written submissions or rebuttals and relevant portions of the examiner's work papers" and shall enter an order adopting the report of examination as filed or with modifications or corrections, rejecting the report and reopening the examination, or calling for an investigatory hearing.

6. Having fully considered the Report, the Director concludes that, regarding the matters examined, the Report's comments, findings, and recommendations are appropriate and are incorporated herein as if set forth in full.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report is ADOPTED as filed, pursuant to Idaho Code §§ 41-227(5)(a) and 41-4013(3).

IT IS FURTHER ORDERED, pursuant to Idaho Code §§ 41-227(8) and 41-4013(3), that the adopted Report is a public record and shall not be subject to the exemptions from disclosure provided in chapter 1, title 74, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within 30 days

of the issuance of the adopted Report, the Trust shall file with the Department's chief examiner affidavits executed by each of its trustees stating under oath that they have received a copy of the adopted Report and related orders.

DATED AND EFFECTIVE this 23rd day of November, 2021.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

This is a final order of the agency. Any party may file a motion for reconsideration of this final order within 14 days of the service date of this order. The agency will dispose of the motion for reconsideration within 21 days of its receipt, or the motion will be considered denied by operation of law. *See* Idaho Code § 67-5246(4).

Any such motion for reconsideration shall be served on the Director of the Idaho Department of Insurance, addressed as follows:

Dean L. Cameron, Director
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order or orders previously issued in this case may file a petition for judicial review in the district court of the county in which:

- i. A hearing was held;
- ii. The final agency action was taken;
- iii. The party seeking review of the order resides, or operates its principal place of business in Idaho; or
- iv. The real property or personal property that was the subject of the agency action is located.

A petition for judicial review must be filed within 28 days of: (a) the service date of this final order, (b) the service of an order denying motion for reconsideration, or (c) the failure within 21 days to grant or deny a motion for reconsideration, whichever is later. *See* Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal. Idaho Code § 67-5274.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 23rd day of November, 2021, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF SEPTEMBER 30, 2019, to be served upon the following by the designated means:

City of Nampa Emp. Welfare Benefit Trust
411 3rd Street S.
Nampa, ID 83651-3721
racined@cityofnampa.us

☐ first class mail
☒ certified mail
☐ hand delivery
☒ email

Eric Fletcher
Chief Examiner
Idaho Department of Insurance
700 W. State Street, 3rd Floor
Boise, ID 83720-0043
eric.fletcher@doi.idaho.gov

☐ first class mail
☐ certified mail
☐ hand delivery
☒ email

Karl T. Klein
Deputy Attorney General
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043

☐ first class mail
☐ certified mail
☒ hand delivery
☐ email



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

CITY OF NAMPA EMPLOYEE WELFARE BENEFIT TRUST
(self-funded health care plan)

as of

September 30, 2019



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Nampa, ID
October 15, 2021

The Honorable Dean L. Cameron
Director of Insurance
State of Idaho
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Idaho Code § 41-219(1), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of September 30, 2019, of the financial condition and corporate affairs of:

City of Nampa Employee Welfare Benefit Trust
411 3rd Street S.
Nampa, ID 83651

Hereinafter referred to as the (the "Trust"), and its offices in Nampa, Idaho. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our full-scope single-state examination of City of Nampa Employee Welfare Benefit Trust. The prior exam was completed as of September 30, 2014. This examination covers the period of October 1, 2014, through September 30, 2019.

Examination Procedures Employed

Our examination was conducted in accordance with Idaho Code §§ 41-219(1) and 41-4013(1). Due to the nature of the Trust, the examination was conducted as a modified risk-focused examination; key exhibits from the NAIC *Financial Condition Examiners Handbook* were utilized and customized as appropriate for this examination.

The Trust retained the services of a certified public accounting firm, Eide Bailly, LLP to audit its financial records for the years under examination. The firm provided the examiner with access to requested work papers prepared in connection with its audits. The external audit work was relied upon when deemed appropriate.

All accounts and activities of the Trust were considered during the examination process. The initial phase of the examination focused on evaluating the Trust's corporate governance and control environment, as well as business approach, in order to develop an examination plan tailored to the Trust's individual operating profile.

The examination determined the risks associated with identified key functional areas of the Trust's operation and considered mitigating factors. Interviews were held with each Board of Trustee member, as well as key personnel at the CPA firm Eide Bailly, LLP to gain an understanding of the entity's operating profile and control environment.

The examination relied on the findings of the actuarial firm, Lewis & Ellis, Inc, contracted by the Department of Insurance (the "Department") to review the Trust's Incurred But Not Paid (IBNP) liability.

Status of Prior Examination Findings

Our examination included a review to determine the status of the seven examination findings in our preceding Report of Examination, dated June 2, 2016, which covered the period from October 1, 2009, through September 30, 2014. We determined that the Trust had satisfactorily addressed, or has plans to satisfactorily address, all seven prior examination findings.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Trust's reported fiduciary net position.

SUBSEQUENT EVENTS

The following is a summary of significant events that occurred subsequent to September 30, 2019, and prior to the report date:

On March 11, 2020, the World Health Organization declared the spreading Novel Coronavirus Diseases, COVID-19, a pandemic. On March 13, 2020, the United States declared the COVID-19 pandemic as a national emergency. COVID-19 has created economic disruptions on a global scale which has led to uncertainty about the overall economic impact to financial markets. At this time, the full effect of COVID-19 on the Trust is unknown. In a coordinated effort, the Trust and the Department will continue to monitor the effects of the pandemic to the Trust.

TRUST HISTORY

General

The City of Nampa (the “City”), as the plan sponsor and employer, created the Trust effective April 20, 2009. The purpose of the Trust is to receive contributions to the Employee Welfare Benefit Trust established by the City; to hold, manage, invest and reinvest the Trust property and all income from property; and to make distributions from the Trust Fund for covered expenses, among other things.

The Trust was registered with the Department as a self-funded health care plan under the name “City of Nampa Employee Welfare Benefit Trust”, registration number 3968, effective June 18, 2009, and registered and regulated under Title 41, Chapter 40, Idaho Code.

Prior to October 19, 2016, the Trust provided health care benefits to all full-time employees of the City who regularly work thirty (30) hours or more per week and are paid on a regular, periodic basis through City payroll, and their dependents. Coverage began on the first day of the following month after hire date.

Subsequent to October 19, 2016, the Trust provides health care benefits to individuals (and their dependents) who work for the City on a regular basis, working at least the number of hours in a normal work week, but not less than twenty (20) hours per week, and are paid on a regular, periodic basis through City payroll. Coverage begins on the first day of the following month after hire date. Individuals compensated by commission only, seasonal employees, and contractors are not eligible for health care benefits.

Dividends and Capital Contributions

There were no dividends or capital contributions.

Mergers and Acquisitions

There were no mergers or acquisitions.

TRUST RECORDS

The meetings of the Board of Trustees were conducted on a quarterly basis for all the years under examination. The Trust did not keep Board of Trustee meeting minutes for all years under examination. Partial year meeting minutes were provided for 2016 and 2018, none were provided for 2015 or 2017 and full meeting minutes were provided for 2019.

The Department received the Affidavit of Trustee acknowledging receipt of the previous Report of Examination from both Trustees signed on August 26, 2016. Since Board of Trustee meeting minutes were not retained, it is unknown if the Report of Examination was reviewed at the Board of Trustees meeting on July 6, 2016, in accordance with Idaho Code § 41-227(6)(a).

MANAGEMENT AND CORPORATE GOVERNANCE

The Trust Agreement effective April 20, 2009, named two initial Trustees. In an amendment to the Trust Agreement, effective October 19, 2016, the initial trustee section was changed to name the following trustees: the then-serving Nampa City Finance Director, the then-serving Nampa City Human Resources Director, and upon unanimous decision of the trustees, appointment of a third trustee.

The Trustee's serve until the Trustee's death, incapacity, registration or removal. The Trust Agreement Amendment changed the third trustee's term to no more than three (3) years, and no more than two (2) successive terms.

The Trust Agreement states that any action taken by the Trustees shall be taken by a majority vote and the trustees shall serve without compensation. No committees were created by the Board during the examination period.

The following persons served as Trustees of the Trust as of September 30, 2019:

<u>Name</u>	<u>Principal Occupation</u>
Doug Racine	Finance Director City of Nampa
Jamie Chapman	Human Resources Director City of Nampa
Rick Hogaboam*	Chief of Staff

**Rick Hogaboam was appointed as Trustee and Chief of Staff at the City of Nampa in 2019*

Agreements and Contracts

The Trust had the following agreements in effect on September 30, 2019:

Administrative Service Agreement

Effective on February 1, 2017, the Trust entered into an Administrative Service Agreement with the City of Nampa. The agreement is perpetual in nature and either party can terminate the agreement by providing ninety (90) days written notice to other party. The agreement states that the City will make certain administrative services available to the Trust. Those services include: accounts payable, claims reconciliation, investment oversight, annual audit preparation, trustee management, and other related services. The agreements states that compensation will be provided to the City by the Trust on an fiscal year basis and that the compensation may be reevaluated and adjusted no more frequently than once per fiscal year.

Effective October 14, 2014, the Trust entered into an Administrative Service Agreement with Blue Cross of Idaho Health Service, Inc. (BCI). The agreement is automatically renewed for successive twelve (12) month periods unless either party gives notice of termination. Under the terms of the agreement, BCI is to provide general administrative services, benefits payment, run-out of claims, medication and pharmaceutical rebates, provider claims audit, and other certain services to the Trust in exchange for a per enrollee per month fee. This agreement was renewed for all years under examination and remained in effect as of September 30, 2019.

Other Agreements

The Trust has a consulting services agreement in place with Milliman Consulting as of September 9, 2016. Throughout the examination period, the Trust also contracted with Gallagher as the Trust's Broker of Record for benefit services for wellness, vision, life, and long-term disability.

FIDELITY BOND

A crime, theft, and fidelity bond policy for the protection of the Trust against employee dishonesty was maintained through the period under examination under an authorized insurer in the State of Idaho. The Trust does not have employees, rather, receipts and disbursements are handled by the Plan Sponsor, the City. Pursuant to Idaho § 41-4014(3), the Board is required to cause all individuals handling receipts and disbursements for the trust fund to be covered under a dishonesty insurance policy or surety bond in specified amounts. The policy extends the coverages to the Plan Sponsor, and coverages were in compliance with the requirements of Idaho Code § 41-4014(3).

TERRITORY AND PLAN OF OPERATION

As of September 30, 2019, the Trust was licensed as a self-funded health care plan. Operations of the Trust are performed at the City office in Nampa, Idaho. The Trust provides health, prescription, dental, and vision coverages to its employees.

GROWTH OF THE TRUST

The following is a summary of significant financial data for the fiscal years covered by the examination based upon the audited financial statements filed by the Trust with the Department:

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets/Liabilities</u>	<u>Change in Assets/Liabilities</u>
2015	\$ 2,259,184	\$ 266,100	\$ 1,993,084	\$ N/A
2016	\$ 2,555,297	\$ 257,450	\$ 2,297,847	\$ 304,763
2017	\$ 2,798,616	\$ 330,484	\$ 2,468,132	\$ 170,285
2018	\$ 2,858,379	\$ 548,362	\$ 2,310,017	\$ (158,115)
2019	\$ 3,187,921	\$ 584,571	\$ 2,603,350	\$ 293,333

REINSURANCE

Assumed

The Trust did not assume any reinsurance during the examination period.

Ceded

The Trust, in conjunction with the Administrative Services Agreement with BCI, has requested that BCI provide excess of loss coverage pursuant to the terms of the agreement. The period runs from October 1st to September 30th and is renewed for successive twelve (12) month periods, unless terminated. As of September 30, 2019, the agreement provided for specific excess of loss in the amount of \$125,000 and had aggregate excess loss factor of \$1,248.80 per enrollee per month.

ACCOUNTS AND RECORDS

General Accounting

The Trust's business and accounting records were maintained at the office of the City of Nampa. The Trust uses the information technology capabilities and support of the City. Claims data were maintained by its claims service administrator, Blue Cross of Idaho Health Services, Inc.

Independent Auditor

The annual independent audits of the Trust for the fiscal years ending September 30, 2014, through September 30, 2019, were performed by Eide Bailly, LLP, Boise, Idaho. In the auditor's opinion, the financial statements presented fairly the financial position of the Trust in accordance with accounting principles generally accepted in the United States of America. Workpapers and other documents as requested were provided to the examiners during the examination. Audit workpapers were relied upon where deemed appropriate.

Actuarial Certification

Actuarial certifications for 2015-2016 IBNP claims were prepared by Arthur J. Gallagher & Co. Actuarial certifications for 2017-2019 IBNP claims were prepared by Milliman.

Review of the IBNP claim reserve by the examining actuary determined that the actuarial methodology utilized in the reserve process to be reasonable, and that the IBNP reported at September 30, 2019 appeared to be reasonable.

FINANCIAL STATEMENTS

The following financial statements are based on the audited statements filed by the Trust with the Department and present the financial condition of the Trust for the period ending September 30, 2019.

The financial section of this report contains the following statements:

Statement of Fiduciary Net Position as of September 30, 2019

Statement of Changes in Fiduciary Net Position as of September 30, 2019

Reconciliation of Fiduciary Net Position October 1, 2014, through September 30, 2019

Statement of Fiduciary Net Position
September 30, 2019

Assets

Cash and cash equivalents	\$ 1,195,887
Investments	1,787,062
Employer contributions receivable	204,972
Total assets	<u>\$ 3,187,921</u>

Liabilities

Claims and accounts payable	\$ 214,647
Health claims incurred but not paid	369,924
Total liabilities	<u>\$ 584,571</u>

Fiduciary net position

\$ 2,603,350

Statement of Changes in Fiduciary Net Position
September 30, 2019

Additions

Contributions

Employer contributions	\$ 4,222,956
Plan member contributions	301,143
COBRA contributions	2,552
Total contributions	<u>\$ 4,526,651</u>

Prescription rebates	\$ 42,960
Interest income	46,095
Unrealized gain on investments	28,846
Total additions	<u>\$ 4,644,552</u>

Deductions

Health claim benefits	\$ 3,572,127
Change in incurred but not paid	(90,985)
Premiums	555,962
Administrative expenses	314,115
Total deductions	<u>\$ 4,351,219</u>

Change in fiduciary net position	<u>\$ 293,333</u>
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Fiduciary net position, beginning of year	<u>\$ 2,310,017</u>
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Fiduciary net position, end of year	<u><u>\$ 2,603,350</u></u>
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Reconciliation of Fiduciary Net Position

	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>
Fiduciary net position, end of previous year	\$ 2,377,440	\$ 1,993,084	\$ 2,297,847	\$ 2,468,132	\$ 2,310,017
Net change in net position	(384,356)	304,763	170,285	(158,115)	293,333
Fiduciary net position, end of current year	\$ 1,993,084	\$ 2,297,847	\$ 2,468,132	\$ 2,310,017	\$ 2,603,350

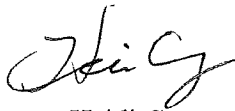
SUMMARY OF RECOMMENDATIONS

There were no findings and recommendations as a result of the examination.

ACKNOWLEDGEMENT

Mike Mayberry, FSA, MAAA, of Lewis & Ellis Inc., performed the actuarial phases of the examination. He joins the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by the representatives of the Trust.

Respectfully submitted,



Heidi Carey, CPA
Insurance Financial Examiner
Idaho Department of Insurance

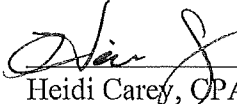


Jessie L. Adamson, CFE
Deputy Chief Examiner
Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

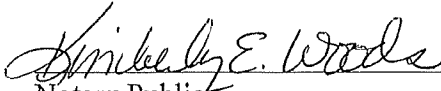
State of Idaho
County of Ada

Heidi Carey, CPA, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of City of Nampa Employee Welfare Benefit Trust for the period October 1, 2014 through September 30, 2019; that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

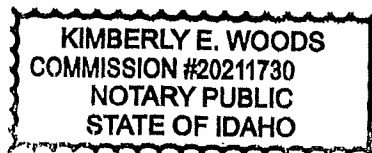


Heidi Carey, CPA
Insurance Financial Examiner
Idaho Department of Insurance

Subscribed and sworn to before me the 15th day of October, at
Borise (City), Idaho (State).



Notary Public



My Commission Expires: 04/05/2027

AFFIDAVIT OF EXAMINER

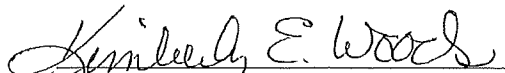
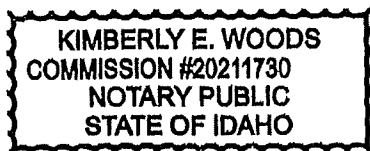
State of Idaho
County of Ada

Jessie L. Adamson, CFE, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of City of Nampa Employee Welfare Benefit Trust for the period October 1, 2014 through September 30, 2019, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.



Jessie L. Adamson, CFE
Deputy Chief Examiner
Idaho Department of Insurance

Subscribed and sworn to before me the 15th day of October, at
Borise (City), Idaho (State).


Notary Public

My Commission Expires: 04/05/2027