FILED

JAN 18 2023

Department of Insurance
State of Idaho

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of: IDAHO SCHOOL BENEFIT TRUST, Registration No. 4303	Docket No. 18-4128-23 **ORDER ADOPTING REPORT OF EXAMINATION AS OF AUGUST 31, 2021**

The Idaho Department of Insurance ("Department"), in accordance with Idaho Code §§ 41-219(1) and 41-4013(1), has examined the affairs, transactions, accounts, records, and assets of the Idaho School Benefit Trust (the "Trust"), for the period of September 1, 2015, through August 31, 2021. The Department also has prepared a verified Report of Examination ("Report") per Idaho Code §§ 41-227 and 41-4013(3). A copy of the Report is attached to this Order as Exhibit "A".

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 March 9, 2015, under Registration No. 4303.

2. On November 23, 2022, the Department completed an examination of the Trust per Idaho Code §§ 41-219(1) and 41-4013(1).

3. Per Idaho Code §§ 41-227(4) and 41-4013(3), on November 23, 2022, the Department's examiner-in-charge filed the Report with the Department. The Department transmitted a copy of the Report to the Trust on November 30, 2022.

4. Under 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. The Department received no such recommendations from the Trust.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5)(a) requires the Director to fully consider and review the Report, together with any written submissions or rebuttals and any relevant portions of the examiner's work papers. The Director then must enter an order adopting the Report 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 and record, 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, IT IS ORDERED that the Report is adopted as filed.

IT IS FURTHER ORDERED, per 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, per Idaho Code § 41-227(6)(a), that within 30 days of the service date of this Order adopting the Report, the Trust must 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 18 day of January, 2023.

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 this18th day of January, 2023, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF AUGUST 31, 2021, to be served upon the following by the designated means:

Mike Friend IDAHO SCHOOL BENEFIT TRUST 777 S. Latah #C Boise, ID 83705	☒ First Class Mail ☐ Certified Mail ☐ Hand Delivery ☐ Facsimile ☒ Email: mlfbkf49@gmail.com
Karl T. Klein Deputy Attorney General Idaho Department of Insurance 700 W. State St., 3rd Floor PO Box 83720 Boise, ID 83720-0043	☐ First Class Mail ☐ Certified Mail ☐ Hand Delivery ☐ Facsimile ☒ Email: karl.klein@doi.idaho.gov
Eric Fletcher Chief Examiner Idaho Department of Insurance 700 W. State St., 3rd Floor PO Box 83720 Boise, ID 83720-0043	☐ First Class Mail ☐ Certified Mail ☐ Hand Delivery ☐ Facsimile ☒ Email: eric.fletcher@doi.idaho.gov jessie.adamson@doi.idaho.gov

Penny Wilcox

Penny Wilcox

EXHIBIT

A

exhibitstickercom

DEPARTMENT OF INSURANCE

STATE OF IDAHO

REPORT OF EXAMINATION

Of

IDAHO SCHOOL BENEFIT TRUST
(self-funded health care plan)

as of

August 31, 2021

Table of Contents

SALUTATIONS 3
SCOPE OF EXAMINATION 4
Period Covered 4
Examination Procedures Employed 4
Status of Prior Examination Findings 4
SUMMARY OF SIGNIFICANT FINDINGS 5
SUBSEQUENT EVENTS 5
TRUST HISTORY 5
General 5
TRUST RECORDS 5
MANAGEMENT AND CORPORATE GOVERNANCE 6
Agreements and Contracts 6
FIDELITY BONDS AND OTHER INSURANCE 7
PLAN OF OPERATION 7
GROWTH OF THE TRUST 7
EXCESS OF LOSS COVERAGE 7
ACCOUNTS AND RECORDS 8
FINANCIAL STATEMENTS 9
SUMMARY OF RECOMMENDATIONS 13
ACKNOWLEDGEMENT 14
AFFIDAVIT OF EXAMINER 15
AFFIDAVIT OF EXAMINER 16

Boise, ID
November 23, 2022

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 August 31, 2021, of the financial condition and corporate affairs of:

Idaho School Benefit Trust
777 S. Latah #C
Boise, Idaho 83705

Hereinafter referred to as the "Trust". The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our single state examination of the Idaho School Benefit Trust. This is the first exam of the Trust. This examination covers the period of September 1, 2015, through August 31, 2021, and subsequent.

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, Grow Rasmussen, 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 audit. The external audit work was relied upon where 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 a business approach, in order to develop an examination plan tailored to the Trust's individual operating profile.

Interviews were held with the Chairperson of the Board of Trustees, Third-Party Administrator as well as the external auditor 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 Idaho Department of Insurance (the "Department") to review the Trust's Incurred But Not Reported (IBNR) liability.

A letter of representation certifying that administrative staff disclosed all significant matters and records was obtained from the Chairperson and the Third-Party Administrator and was included in the examination workpapers.

Status of Prior Examination Findings

This is the first financial condition examination conducted by the Department over the Trust's financial condition and affairs.

SUMMARY OF SIGNIFICANT FINDINGS

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

SUBSEQUENT EVENTS

During the 2022 Idaho Legislative session, House Bill 443 passed the House and the Senate, and was signed into law. The passage of this law increases funding for health insurance of Idaho school district employees and allows for districts to elect to join the State's employee health plan. In a coordinated effort, the Trust and the Department will continue to monitor the effects of House Bill 443 to the Trust.

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 irrevocable Idaho School District Council Self-Funded Benefit Trust Agreement was established on March 9, 2015, pursuant to Idaho Code Title 41, Chapter 40, to serve as a vehicle for funding the self-funded health and welfare benefits provided by the Idaho School District Council (the "ISDC") Health and Welfare Plan created under the Trust. The Trust consists of five Trustees appointed by the ISDC. Effective March 21, 2018, the Trust changed its name to the Idaho School Benefit Trust.

The Trust was formed in order to provide an alternative, after implementation of the Affordable Care Act, for school districts and their employees. The Trust offers coverage for health, vision, and dental related expenses for Idaho School Districts that opt in each year. During 2021, approximately twenty-eight thousand Idaho School District employees and their dependents were covered through the Trust.

TRUST RECORDS

The meetings of the Board of Trustees (the "Board") were conducted at a minimum of quarterly for all the years under examination. Topics of discussion included approval of budgets, approval of investments, review of strategic plan, review of audit results, and approval of rates. Finalized meeting minutes were provided to the Department.

MANAGEMENT AND CORPORATE GOVERNANCE

The Trust is governed by the Board which is appointed by the ISDC. Per the Trust Agreement, the Board is comprised of five Trustees who shall consist of retired school administrators, active assistant superintendents, and select individuals from the private sector who have no direct or indirect pecuniary interest in the Trust. The Board of Trustees serving as of August 31, 2021, are shown below:

Name	Position
Michael L. Friend	Chairman
Gordon Woolley	Trustee
Darren Uranga	Trustee
Charles Kinsey	Trustee
Gaylen Smyer	Trustee

Agreements and Contracts

Administrative Services Agreement

The Trust entered into an Administrative Services Agreement with the ISDC effective December 9, 2014. Under this agreement, ISDC agrees to operate the Trust in accordance with the Trust Agreement and direction provided by the Trustees. ISDC's duties and responsibilities under the agreement include maintenance of documents, provide required reports, maintain bank accounts, investments and financial records, arrange and attend Trustee meetings, maintain bonds and insurance, and other operational services as required.

Effective September 1, 2015, the Trust entered into an Administrative Services Agreement with Blue Cross of Idaho Health Service, Inc. ("BCI"). Under the terms of the agreement, BCI is to provide general administrative services, benefits payment, employer billings, employer records, delinquencies, and data processing services.

Other Agreements

Effective November 19, 2020, the Trust entered into a Consulting Services Agreement with The Murray Group. Under the terms of the agreement, The Murray Group agrees to provide various services related to vendor management, financial reporting, strategic services, actuarial coordination, compliance resources and other various consulting services.

The Trust entered into a Professional Services Agreement with Darren Uranga effective October 1, 2017. The Agreement provides for Mr. Uranga to preform various professional services including daily cash monitoring, monthly budget reporting, and other duties as assigned.

FIDELITY BONDS AND OTHER INSURANCE

A crime insurance policy was maintained by the Trust for the protection against fraud or dishonesty of an administrator, trustee, or other officer. The policy met the requirements specified in Idaho Code § 41-4014(3). The insurance company providing coverage to the Trust was licensed or otherwise authorized in Idaho.

PLAN OF OPERATION

During all years of the exam, the Trust maintained its license as a self-funded health care plan under Title 41, Chapter 40 of Idaho Code. Operations of the Trust are governed under the Trust Agreement and are performed at the ISDC office in Boise, Idaho. The Trust provides health, prescription, dental, and vision coverages to employees of Idaho Schools and their dependents.

The Trust also had additional insurance protection for business auto coverage, commercial general liability, and commercial umbrella. Each of the insurance companies providing coverage were licensed or otherwise authorized in Idaho.

GROWTH OF THE TRUST

The following represents the Trust's assets and liabilities over the examination period:

Year	Assets	Liabilities	Net Assets	Change in Net Assets
2016	$23,716,158	$12,951,754	$10,764,404	N/A
2017	$32,318,138	$15,688,881	$16,629,257	$5,864,853
2018	$38,115,661	$11,527,008	$26,588,653	$9,959,396
2019	$38,343,345	$23,001,426	$15,341,919	($11,246,734)
2020	$43,574,346	$21,662,663	$21,911,683	$6,569,764
2021	$54,017,370	$31,523,847	$22,493,523	$581,840

Assets and liabilities increased over the examination period due to the increased number of participants and increases in contribution rates.

EXCESS OF LOSS COVERAGE

The Trust, in conjunction with the Administrative Services Agreement with BCI, requested that BCI provide excess of loss coverage pursuant to the terms of the Agreement. The period runs from September 1 through August 31 and is renewed for successive twelve (12) month periods, unless terminated. The agreement covering the plan year from 2020 to 2021 provided for specific excess of loss in the amount of $2,000,000 and had an aggregate stop loss threshold set at 103%.

ACCOUNTS AND RECORDS

General Accounting

The Trust's business and accounting records are maintained at the ISDC office. The Trust uses the information technology capability and support of the ISDC. Accounting information is maintained by utilizing QuickBooks. Claims data were maintained by the claims administrator, BCI.

Independent Auditor

The annual independent audits of the Trust for all years under examination were performed by Grow Rasmussen, LLP. The financial statements for each year were prepared using Generally Accepted Accounting Principles. In the auditor's opinion, the financial statements of the Trust present fairly, in all material respects, the net assets and changes in net assets of the Trust.

The annual audited reports for all years under examination were made available for review during the examination. The examination placed reliance on the 2021 audit workpapers where deemed appropriate.

Actuarial Opinion

Actuarial certifications were prepared for each year under examination by Milliman, Inc. Review of the IBNR claim reserve by the examining actuary determined that the actuarial methodology utilized in the reserve process was reasonable, and that the IBNR reported at August 31, 2021, was reasonable.

FINANCIAL STATEMENTS

The following financial statements are based on the audited financial statements filed by the Trust with the Department and present the financial condition of the Trust for the period ending August 31, 2021.

Statements of Financial Position as of August 31, 2021

Statements of Activities as of August 31, 2021

Statements of Cash Flows as of August 31, 2021

STATEMENT OF FINANCIAL POSITION

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 25,075,979
Contributions receivable	13,792,180
Prepaid expense	134,420
TOTAL CURRENT ASSETS	39,002,579
INVESTMENTS, at fair value	15,014,791
	$ 54,017,370

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 22,955
Accrued claims	5,942,269
Claims incurred but not reported	10,387,996
Deferred revenue	15,170,627
TOTAL CURRENT LIABILITIES	31,523,847
NET ASSETS	
Without donor restrictions	22,493,523
TOTAL NET ASSETS	22,493,523
	$ 54,017,370

STATEMENTS OF ACTIVITIES

CONTRIBUTIONS	$ 180,794,891
INTEREST INCOME	258,679
	181,053,570
CLAIMS INCURRED	
Claims incurred	165,039,957
Rebates	(6,084,356)
	158,955,601
EXPENSES	
TPA claims administration	15,902,929
Change in incurred but not reported	1,563,453
Stop-loss coverage	2,771,117
Administrative expense	1,278,630
	$ 21,516,129
Increase (decrease) in net assets	$ 581,840
NET ASSETS, beginning of year	21,911,683
NET ASSETS, end of year	$ 22,493,523

STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	$ 581,840
Adjustments:	
(Increase) decrease in assets	
Contributions receivable	(6,217,449)
Prepaid expense	(134,420)
Increase (decrease) in liabilities	
Accounts payable	8,818
Accrued claims	981,237
Claims incurred but not reported	1,563,452
Deferred revenue	7,307,677
Net cash provided (used) by operating activities	4,091,155
CASH FLOWS FROM INVESTING ACTIVITIES	
Net redemption (purchase) of investments	(179,901)
Net cash provided (used) by investing activities	(179,901)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,911,254
CASH AND CASH EQUIVALENTS, beginning of year	21,164,725
CASH AND CASH EQUIVALENTS, end of year	$25,075,979

Analysis of Changes in Financial Statements Resulting From Examination
There were no changes to the financial statements as a result of this examination.

SUMMARY OF RECOMMENDATIONS

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

ACKNOWLEDGEMENT

Michael A. 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 representatives of the Trust.

Respectfully submitted,

Heidi Carey, CPA
Examiner-in-Charge
Idaho Department of Insurance

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

AFFIDAVIT OF EXAMINER

State of ID County of Ada

Heidi Carey, 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 Idaho School Benefit Trust for the period September 1, 2015, through August 31, 2021, 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
Examiner-in-Charge
Idaho Department of Insurance

Subscribe and sworn to before me the 23rd day of November, 2022, at Boise (City), ID (State).

MICHELE MUÑOZ
COMMISSION #20211631
NOTARY PUBLIC
STATE OF IDAHO

Notary Public

My Commission Expires: 03-30-2027

AFFIDAVIT OF EXAMINER

State of Idaho County of Ada

Jessie L. Adamson, 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 Idaho School Benefit Trust for the period September 1, 2015, through August 31, 2021, 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 Adamson

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

Subscribe and sworn to before me the 23rd day of November, 2022, at Boise (City), ID (State).

Michele Muñoz

Notary Public

MICHELE MUÑOZ
COMMISSION #20211631
NOTARY PUBLIC
STATE OF IDAHO

My Commission Expires: 03-30-2027