

FILED
NOV 03 2021
Department of Insurance
State of Idaho

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE
STATE OF IDAHO

In the Matter of:

BRIGHAM YOUNG UNIVERSITY –
IDAHO STUDENT HEALTH PLAN TRUST

Idaho Registration No. 4234

Docket No. 18-3995-21

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 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 Brigham Young University – Idaho Student Health Plan Trust (the “Trust”), for the period of September 5, 2013, through December 31, 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 September 5, 2013, under Registration No. 4234.

2. The Department completed an examination of the Trust under Idaho Code §§ 41-219(1) and 41-4013(1) on or about September 29, 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 September 29, 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 a 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 2nd 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 3rd day of November, 2021, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2019, to be served upon the following by the designated means:

Brigham Young Univ. – Idaho Student Health Plan Trust
c/o Deseret Mutual Insurance Company
P.O. Box 45530
Salt Lake City, UT 84145-0530
thansen@dmmba.com

☐ 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

BRIGHAM YOUNG UNIVERSITY – IDAHO STUDENT HEALTH PLAN TRUST
(a self-funded health care plan)

as of

December 31, 2019



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Salt Lake City, UT
September 29, 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 41-4013, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2019, of the financial condition and affairs of:

Brigham Young University – Idaho Student Health Plan Trust
PO Box 45530
Salt Lake City, UT 84145

Hereinafter referred to as the “Trust”, and its offices in Salt Lake City, UT. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our full-scope single state examination of Brigham Young University – Idaho (BYU-Idaho) Student Health Plan Trust. This is the first examination of the Trust. This examination covers the period of September 5, 2013, through December 31, 2019.

Examination Procedures Employed

Our examination was conducted in accordance with Idaho Code §§ 41-219(1) and 41-4013. 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, Deloitte & Touche 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 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 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 the Chairperson of the Board of Trustees, and other key personnel involved with the Trust to gain an understanding of the Trust's operating profile and control environment.

The examination relied on the findings of the actuarial firm, Lewis & Ellis Actuaries and Consultants, contracted by the Idaho Department of Insurance (hereinafter, 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 Trust Administrator and was included in the examination workpapers.

Status of Prior Examination Findings

This is the first 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 position.

SUBSEQUENT EVENTS

The following is a summary of significant events that occurred subsequent to December 31, 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

The Trust was established September 1, 2013, by BYU-Idaho (the "Trustor") and the appointed Trustees, through an Irrevocable Trust Agreement as a self-funded health care plan regulated and operating under Title 41, Chapter 40 of Idaho Code. On September 5, 2013, the Idaho Department of Insurance issued Certificate of Registration No. 4234 to the Trust.

The Trust agreement establishes, among other things, that the purpose of the Trust is to receive payments, contributions, income interest, or other monies, from the Trustor and other qualified participants and to purchase medical benefits for beneficiaries.

Prior to the establishment of the Trust, the student health plan offered by the Trustor was organized with Deseret Mutual Insurance Company (DMIC). The reserves from this entity were paid to the Trustor, and subsequently transferred to the Trust to establish its initial capital.

TRUST RECORDS

The meetings of the Board of Trustees were conducted on an annual basis as of 2017. The minutes contained high-level descriptions of information discussed about the Trust's administrative operations, financial performance and other activities related to governing the Trust.

The minutes indicated that the Trustees approved the changes in contribution rates, reserves, investments, and items impacting enrollment in the health plan.

MANAGEMENT AND CORPORATE GOVERNANCE

The Trust Agreement authorizes four (4) Trustees appointed by BYU-Idaho. The Trust Agreement also states that those individuals will be those that hold the following positions at BYU-Idaho: Academic Vice President, Advancement Vice President, Student Services and Activities Vice President, and University Resources Vice President. Trustees will serve until either resignation or removal.

The following persons served as Trustees as of December 31, 2019:

<u>Name</u>	<u>Principle Occupation</u>
Kelly Burgener* Rexburg, Idaho	Academic Vice President BYU-Idaho
Rob Garrett Rexburg, Idaho	Advancement Vice President BYU-Idaho
Amy LaBaugh Rexburg, Idaho	Student Services and Activities Vice President BYU-Idaho
Brett Cook, Chairman Rexburg, Idaho	University Resources Vice President BYU-Idaho

**Replaced by Jon Linford in 2021*

Committees

The Trust Agreement grants the Trustees authority to appoint a Student Health Plan Advisory Committee. The Board established this committee in 2013. The committee does not vote on actions of the Trust; rather, it acts as an advisory administrative body to help the Trustees carry out their responsibilities. The committee members receive no compensation for their services and serve at the direction of the Trustees.

Agreements and Contracts

Operational Services Agreement

Effective September 1, 2013, the Trust entered into an Operational Services Agreement with DMIC. Under this agreement, DMIC agrees to operate the Trust in accordance with the Trust Agreement and direction provided by the Trustees. DMIC's duties and responsibilities under the agreement include to: prepare, furnish, and process applications, documentation, and other materials to beneficiaries; maintain claims; provide accounting services; communicate with providers; and provide other services as required.

Per the agreement, the Trustees are responsible for reimbursing DMIC for amounts required to carry out the services listed in the agreement and to supply information and documentation as needed.

The consideration to be provided under this agreement was initially established and agreed to by both parties. Any changes to the consideration must be made in writing in a letter of understanding and signed by both parties. The agreement is automatically renewed each year unless terminated by either party sixty (60) days in advance.

Custody Agreement

Investments of the Trust were held under a custody agreement with Wells Fargo Securities effective August 23, 2017.

FIDELITY POLICY

An Employee Benefit Plan Fiduciary Dishonesty Policy was maintained by the Trust for the protection against fraud or dishonesty of an employee, fiduciary, trustee, administrator, or 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.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2019, the Trust was licensed in Idaho as a self-funded health care plan. Operations of the Trust are performed at BYU-Idaho in Rexburg, Idaho and at the Trust's Operational Services Provider, DMIC, located in Salt Lake City, Utah. The Trust provides medical, pharmacy and vision benefits to students enrolled in the plan, and their spouse and dependents. Beneficiaries receive care at the BYU-Idaho Student Services Center or at other in-network providers. Out-of-network coverage is available through the Away-from-Campus Coverage option and the Extended Coverage option.

GROWTH OF THE TRUST

A summary of significant financial data for the years covered by the examination is presented below based upon the audited financial statements filed by the Trust with the Department.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net Assets</u>	<u>Contributions</u>	<u>Contributions to Net Assets</u>
2014	3,363,000	760,000	2,603,000	7,442,000	286%
2015	4,407,000	543,000	3,864,000	6,697,000	173%
2016	5,420,000	491,000	4,929,000	5,927,000	120%
2017	6,392,000	898,000	5,494,000	6,282,000	114%
2018	6,669,000	1,399,000	5,270,000	6,758,000	128%
2019	6,800,000	1,336,000	5,464,000	6,987,000	128%

Net assets increased during the examination period. Contributions to net assets decreased during the first two years of operation but remained relatively consistent during the remaining years.

REINSURANCE

The Trust maintained specific excess loss reinsurance and aggregate excess loss reinsurance for all periods during the examination. From September 16, 2013, to September 16, 2018, the reinsurance carrier was National Union Fire Insurance Company of Pittsburgh, PA. From September 17, 2018, to September 15, 2019, the reinsurance carrier was HCC Life Insurance Company.

From September 16, 2019, to September 15, 2020, and subsequent, the Trust's reinsurance carrier was Berkshire Hathaway Specialty Insurance Company. The reinsurance contract does not automatically renew. The contract provides for the following:

- Specific Excess of Loss Coverage – The Trust has financial responsibility to pay for eligible expenses on behalf of a participant incurred during the contract period and paid during the three (3) months immediately following the contract period, until such payment reaches \$200,000. Thereafter, the reinsurance provider shall have financial responsibility to pay for eligible expenses for that participant up to a maximum of \$400,000 per participant.
- Aggregate Excess of Loss Coverage – The reinsurance provider agrees to reimburse to the Trust for eligible expenses incurred during the contract period and paid during the three (3) months immediately following the contract period, that exceed the aggregate excess of loss calculated amount up to \$1,000,000.

All carriers listed above were authorized as reinsurers in the State of Idaho.

ACCOUNTS AND RECORDS

General Accounting

The Trust's business and accounting records were maintained by DMIC per the operational services agreement. Accounting information is maintained by utilizing Sage Intacct software. Claims information is maintained by utilizing AMISYS system software.

Independent Auditor

The annual independent audits of the Trust for all years under examination were performed by Deloitte & Touche 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 2019 audit workpapers where deemed appropriate.

Actuarial Opinion

Actuarial opinions were prepared for each year under examination by Gregg E. Littlefield, FSA, MAAA for loss reserves, actuarial liabilities and related items. Actuarial Certifications for each year under examination were prepared by Christian Ulmer, ASA, MAAA. Mr. Littlefield and Mr. Ulmer were employed by DMIC while performing this work.

Review of the IBNR claim reserve by the examining actuary determined the actuarial methodology utilized in the reserve process and the IBNR reported at December 31, 2019 appeared to be reasonable.

FINANCIAL STATEMENTS

The following financial statements are based on the audited financial statements filed by the Trust with the Department:

Statement of Net Assets as of December 31, 2019

Statement of Changes in Net Assets as of December 31, 2019

Reconciliation of Changes in Net Assets December 31, 2013 through December 31, 2019

Statements of Net Assets
As of December 31, 2019

Assets	
Cash and cash equivalents	\$ 6,761,000
Excess loss recoverable	39,000
Total	<u>\$ 6,800,000</u>
Liabilities and Net Assets	
Liabilities	
Unpaid health claims	\$ 426,000
Reserve for claims incurred but not yet reported	875,000
Accrued expenses	35,000
Total Liabilities	<u>\$ 1,336,000</u>
Net Assets	<u>\$ 5,464,000</u>
Total	<u>\$ 6,800,000</u>

Statement of Changes in Net Assets
As of December 31, 2019

Additions		
	Student contributions	\$ 6,987,000
	Interest income	136,000
	Total additions	<u>\$ 7,123,000</u>
Deductions		
	Health benefits paid - net of recoveries received	\$ 5,876,000
	Changes in unpaid health claims	159,000
	Changes in reserves for claims incurred but not yet reported - net of expected recoverables	140,000
	Administrative expenses	754,000
	Total deductions	<u>\$ 6,929,000</u>
Net increases (decrease) during the year		<u>\$ 194,000</u>
Net assets - beginning of year		<u>\$ 5,270,000</u>
Net assets - end of year		<u>\$ 5,464,000</u>

Reconciliation of Changes in Net Assets
December 31, 2015, to December 31, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net assets, end of previous year	\$2,603,000	\$3,864,000	\$4,929,000	\$5,494,000	\$5,270,000
Net changes in assets	1,261,000	1,065,000	565,000	(224,000)	194,000
Net assets, end of current year	\$3,864,000	\$4,929,000	\$5,494,000	\$5,270,000	\$5,464,000

NOTES TO FINANCIAL STATEMENTS

There were no changes to the notes 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.

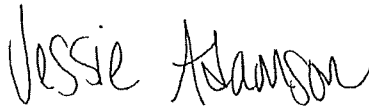
ACKNOWLEDGEMENT

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 employees and representatives of the Trust.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Anderson", with a stylized, flowing script.

James Anderson
Examiner-in-Charge
Idaho Department of Insurance

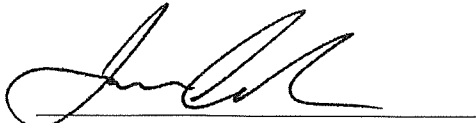
A handwritten signature in black ink, appearing to read "Jessie Adamson", with a clear, legible script.

Jessie Adamson, CFE
Deputy Chief Examiner
Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

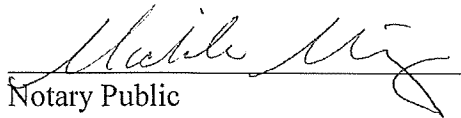
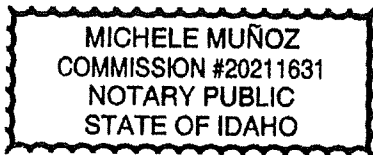
State of Idaho County of Ada

James Anderson, 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 Brigham Young University – Idaho Student Health Plan Trust for the period September 5, 2013 through December 31, 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.



James Anderson
Examiner-in-Charge
Idaho Department of Insurance

Subscribe and sworn to before me the 29 day of September, 2021, at
Boise (City), HI (State).


Notary Public

My Commission Expires: 03-30-2027

AFFIDAVIT OF EXAMINER

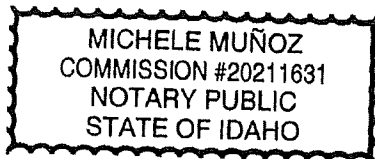
State of Idaho County of Ada

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 Brigham Young University – Idaho Student Health Plan Trust for the period September 5, 2013 through December 31, 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 Adamson

Jessie Adamson, CFE
Deputy Chief Examiner
Idaho Department of Insurance

Subscribe and sworn to before me the 29 day of September, 2021, at
Boise (City), ID (State).



Michele Muñoz
Notary Public

My Commission Expires: 03-30-2027