

FILED
OCT 27 2020
Department of Insurance
State of Idaho

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE
STATE OF IDAHO

In the Matter of:

IDAHO AGC SELF-FUNDED
BENEFIT TRUST

Idaho Registration No. 3936

Docket No. 18-3853-20

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2018**

The State of Idaho, Department of Insurance (“Department”), having conducted an examination of the affairs, transactions, accounts, records, and assets of IDAHO AGC SELF-FUNDED BENEFIT TRUST (“IDAHO AGC”), pursuant to Idaho Code §§ 41-4013 and 41-219(1) and (5), as incorporated and made applicable by Idaho Code § 41-4021, hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code § 41-227(5)(a), adopting the Report of Examination of Idaho AGC Self-Funded Benefit Trust as of December 31, 2018 (“Report”), as filed.

FINDINGS OF FACT

1. IDAHO AGC is an Idaho-domiciled self-funded health care plan, which was duly registered with the Department on December 24, 2008, under Registration No. 3936.

2. The Department completed an examination of IDAHO AGC pursuant to Idaho Code §§ 41-4013 and 41-219(1) and (5) on or about September 25, 2020. The Department’s findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report, verified under oath by

the Department's examiner-in-charge, was filed with the Department on September 25, 2020, and a copy was transmitted to IDAHON AGC on September 30, 2020. A copy of the verified Report is attached hereto as Exhibit A.

4. Pursuant to Idaho Code § 41-4013(3), the trustee of IDAHO AGC had four (4) weeks from September 30, 2020, i.e., until October 28, 2020, to recommend to the Director of the Department ("Director") such corrections or changes to the Report as the trustee may deem appropriate. No such recommendations, nor any written submissions or rebuttals pursuant to Idaho Code § 41-227(4) with respect to any matters contained in the Report, were received by the Department from IDAHO AGC.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5) provides that "[w]ithin thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals, 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. On or about October 15, 2020, the Department received a Waiver from IDAHO AGC signed by Adam Warr, its chair. By execution of such Waiver, a copy of which is attached hereto as Exhibit B, IDAHO AGC consented to the immediate entry of a final order by the Director of the Department ("Director") adopting the Report without any modifications; waived its right to make a written submission or rebuttal to the Report; and waived its right to request a hearing and to seek reconsideration or appeal from the Director's final order.

7. Having fully considered the Report, the Director concludes that, during the period

covered by the Report, IDAHO AGC appears to meet the qualifications for maintaining its registration pursuant to chapter 40, title 41, Idaho Code.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of Idaho AGC Self-Funded Benefit Trust as of December 31, 2018, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(8), 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 thirty (30) days of the issuance of the adopted Report, IDAHO AGC shall file with the Department's Chief Examiner affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report and related orders.

IT IS SO ORDERED.

DATED this 27 day of October, 2020.

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 fourteen (14) days of the service date of this order. The agency will dispose of the motion for reconsideration within twenty-one (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 twenty-eight (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 twenty-one (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 17th day of October, 2020, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2018, to be served upon the following by the designated means:

Idaho AGC Self-Funded Benefit Trust
1649 W. Shoreline Drive, Ste. 100
Boise, ID 83702-6701

- first class mail
- certified mail
- hand delivery
- email

Edith L. Pacillo
Lead Deputy Attorney General
Idaho Department of Insurance
P.O. Box 83720
Boise, ID 83720-0043
edith.pacillo@doi.idaho.gov

- first class mail
- certified mail
- hand delivery
- email



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

IDAHO AGC SELF-FUNDED BENEFIT TRUST
A Multiple Employer Welfare Arrangement Self-funded Healthcare Plan

As of

December 31, 2018

EXHIBIT

A

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Boise, Idaho
September 25, 2020

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 § 41-4013(1), Idaho Code, we have conducted an examination as of December 31, 2018, of the financial condition and corporate affairs of:

Idaho AGC Self-Funded Benefit Trust
1649 W Shoreline Dr. Ste 100
Boise, ID 83702

Hereinafter referred to as the "Trust", at its offices in Boise, ID. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

This examination covers the period of January 1, 2014, through December 31, 2018. The examination was conducted in accordance with Idaho Code § 41-4013(1). Verification and valuation of assets, liabilities, and net assets (surplus) and an analysis and review of such other accounts and records as appropriate to the examination were also performed.

The Trust retained the services of a certified public accounting firm, Harris & Co., P.A., to audit its financial records for the years under examination. The firm allowed the examiners access to requested workpapers 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.

Interviews were held with the Chair of Board of Trustees and key management personnel of the Trust Administrator and Plan Sponsor, Idaho Branch Inc., Associated General Contractors of America Inc. DBA Idaho AGC, to gain an understanding of the entity's operating profile and control environment.

The examination relied on the findings of the actuarial firm contracted by the Department to verify pricing and reserves.

A letter of representation attesting that management disclosed all significant matters and records was obtained from the Trustee Chair and included in the examination working papers.

Status of Prior Examination Findings

Our examination included a review to determine the current status of any exception conditions commented upon in our preceding Report of Examination, dated May 6, 2015, which covered the period from December 24, 2008, to December 31, 2013. We determined that the preceding Report of Examination contained no exceptions.

SUMMARY OF SIGNIFICANT FINDINGS

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

SUBSEQUENT EVENTS

The Trust applied for and received a waiver from the Department waiving the requirement to maintain aggregate stop loss coverage for the time period of January 1, 2020, to December 31, 2020.

On March 11, 2020, the World Health Organization declared the spreading Novel Coronavirus Disease, 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 July 16, 2008, by the Idaho Branch, Inc., The Associated General Contractors of America, Inc., DBA Idaho AGC, through a Trust Agreement with the Trustees and participating employers. The Idaho AGC, as plan sponsor, offers health and welfare benefits to eligible employees of participating member firms of the Idaho AGC via a health plan (Plan) which, as of December 31, 2018, includes fully-insured as well as self-funded benefits. The Idaho AGC is the Plan Sponsor and the Trust Administrator, providing services to the Trust.

This examination covers the self-funded benefits and operations of the Trust, which is classified as a multiple employer welfare arrangement (MEWA) and subject to registration and regulation under Title 41, Chapter 40 of the Idaho Code. As of December 31, 2018, medical, dental and vision benefits were offered through the Trust. The fully-insured portion of the Plan operates under a separate trust agreement, which is not subject to registration or regulation by the Department, and offered life and disability benefits as of December 31, 2018.

On December 24, 2008, the Idaho Department of Insurance issued Certificate of Registration No. 3936 to the Trust under Title 41, Chapter 40 of the Idaho Code. The Certificate was amended on October 17, 2013, for the addition of medical benefits to the Trust.

CORPORATE RECORDS

The meetings of the Board of Trustees (Trustees) were conducted on at least a quarterly basis for all years under examination. The Trust Agreement established the number of Trustees at seven (7). Trustees are appointed by the President of the Idaho AGC and must be employed by a participating member firm. Trustee terms are for three (3) years and are staggered. The Chair is appointed by the Trustees and serves for four (4) years. Minutes of the meetings were detailed

and included discussion and approval of investments, financial statements and legal matters regarding the Trust.

The prior Examination Report as of December 31, 2013, was distributed to the Trustees and reviewed at the Board of Directors meeting on May 20, 2015, in accordance with Idaho Code §41-227(6)(a).

MANAGEMENT AND CORPORATE GOVERNANCE

The Trust Agreement authorizes seven (7) Trustees. There was one vacancy as of December 31, 2018. The following persons served as Trustees as of December 31, 2018:

<u>Name</u>	<u>Principal Occupation</u>
Adam Warr, Chair Boise, Idaho	Vice President of Accounting Buss Mechanical Services, Inc.
Rebecca Strickland Boise, Idaho	Controller Central Paving, Inc.
Charles Paulin Boise, Idaho	Principal/Engineer Musgrove Engineering, PA
Kori Bonney Blackfoot, Idaho	Owner/Manager Gale Lim Construction, LLC
Liz Swan* Boise, Idaho	Human Resources Precision Pumping & Ranchers Supply
Amy Davis** Idaho Falls, Idaho	Payroll Administrator/HR Coordinator Eagle Rock Timber, Inc.
Ila Eberhardt*** Eagle, Idaho	HR Manager Granite Excavation, Inc.

**No longer a Trustee in 2019.*

***No longer a Trustee in 2020.*

****Became a Trustee in 2020.*

Conflict of Interest

In compliance with Idaho Code § 41-4015, the Trust established procedures in place to assist people having responsibility for the management of the Trust to disclose conflicts of interest.

Contracts and Agreements

Effective July 16, 2008, the Idaho AGC entered into a Trust Agreement with the Trustees and participating employers for and on the behalf of the participants and their dependents. The Trust Agreement was amended on October 1, 2013, with an effective date of January 1, 2014, to allow for inclusion of self-funded medical benefits to the Trust. The Trust Agreement outlines the purpose and administration of the Trust and the duties and authority of the Trustees.

FIDELITY BONDS AND OTHER INSURANCE

A crime policy for the protection of the Trust was maintained through the period under examination. The coverage provided met the requirements specified in Idaho Code § 41-4014(3). The insurance company providing coverage to the Trust was licensed or otherwise authorized in the state of Idaho.

The Trust Administrator also maintained professional liability and cyber risk coverage during the examination period.

TERRITORY AND PLAN OF OPERATION

The Trust was registered with the Idaho Department of Insurance as a self-funded health care plan on December 24, 2008, and Certificate of Registration Number 3936 was granted to the Trust to transact business in the state of Idaho. Operations of the Trust are performed at the offices of the Trust Administrator located in Boise, Idaho.

Benefits are marketed and sold through approximately 55 authorized agents and brokers that have an active Agency Contract with the Trust.

GROWTH OF THE COMPANY

The Trust's growth for the years indicated, as taken from the audited financial statements, is shown in the following schedule:

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net Assets/Surplus</u>	<u>Change in Net Assets/Surplus</u>
2014	9,223,969	575,475	8,648,494	7,929,703
2015	9,001,949	695,332	8,306,617	(341,877)
2016*	9,271,398	664,523	8,552,875	246,258
2017	8,459,974	812,305	7,647,669	(905,206)
2018	7,392,922	496,198	6,896,724	(750,945)

**Restated; amounts prior to restatement, Assets \$9,165,174; Liabilities \$664,523; Net Assets/Surplus \$ 8,500,651; Change in Net Assets/Surplus \$194,034*

Assets and surplus saw an increase for December 31, 2014, as, effective January 1, 2014, the Trust entered into an Administrative Services Agreement with Blue Cross of Idaho Health Service Inc. (BCI) to provide medical benefits, and plan contributions for these benefits increased. Total assets and total surplus both have a downward trend since 2016 primarily due to increased claim costs.

STOP LOSS COVERAGE

Effective January 1, 2014, with the addition of medical benefits, the Administrative Services Agreement with BCI provided for stop loss coverage. In the agreement, BCI agreed to provide specific excess loss coverage for each agreement period for claims exceeding \$250,000 for a monthly fee per enrollee. This amount was increased to \$275,000 for 2017 and 2018. In addition, aggregate loss coverage was provided for a fee per enrollee per month for covered services that exceeded the aggregate excess loss amount. The aggregate excess loss amount equaled the sum of the aggregate loss factor times the number of enrollees for each month of the agreement period (1 year).

The Trust applied for and received a waiver from the Department, waiving the requirement to maintain aggregate stop loss coverage for the time period of January 1, 2020, to December 31, 2020.

ACCOUNTS AND RECORDS

General Accounting

The Trust's accounting records were maintained and financial statements were produced by Idaho AGC using licensed software developed by Innovative Software Solutions, Inc.

Independent Auditor

The annual independent audits of the Trust for all years under examination were performed by Harris & Co., P.A. The financial statements for each year were prepared using Generally Accepted Accounting Principles (GAAP). Throughout the examination, there was some reliance placed on the 2018 audit workpapers.

Actuarial Opinion

Actuarial certifications were prepared for each year under examination by Robert L. Schmidt, FSA, MAAA (Milliman) for incurred but not paid (IBNP) claims. Review of the IBNP claims reserve by the examining actuary determined the actuarial methodology utilized in the reserve process to be reasonable and that the IBNP reported at December 31, 2018, was reasonable.

FINANCIAL STATEMENTS

The financial section of this report contains the following statements:

Statement of Benefit Obligations and Net Assets Available for Benefits
As of December 31, 2018

Statement of Changes in Benefit Obligations and Net Assets Available for Benefits
As of December 31, 2018

Reconciliation of Changes in Net Assets
December 31, 2014, through December 31, 2018

Statement of Benefit Obligations and Net Assets Available for Benefits

As of December 31, 2018

Benefit Obligations

Amounts due for claims payable	\$ 568,701
Estimated medical claims incurred but not reported/paid	1,443,345
Estimated vision claims incurred but not reported/paid	4,245
Estimated dental claims incurred but not reported/paid	21,582
Total Benefit Obligations	<u>2,037,873</u>

Assets

Investments at fair value:	
Municipal bonds	3,659,473
Corporate bonds	1,583,326
Corporate securities	679,114
Total Investments	<u>5,921,913</u>

Receivables	
Participating employers' contributions	263,109
Accrued interest receivable	67,954
Total Receivables	<u>331,063</u>

Cash and cash equivalents	1,032,501
Due from Idaho AGC Benefit Plan Trust	5,832
Delta Dental deposit	90,000
Prepaid expenses	11,613
Total Assets	<u>7,392,922</u>

Liabilities

Accounts payable	61,306
Unearned plan contributions	121,732
Deferred income - hour bank	313,160
Total Liabilities	<u>496,198</u>

Net Assets Available for Benefits 6,896,724

Excess of Net Assets Available For Benefits Over Benefit Obligations \$ 4,858,851

Statement of Changes in Benefit Obligations and Net Assets Available for Benefits

As of December 31, 2018

Net Increase In Benefit Obligations

Increase (decrease) during the year attributable to:	
Change in amounts due for claims payable	\$ (3,971)
Change in estimated vision claims incurred and not reported/paid	155
Change in estimated dental claims incurred and not reported/paid	(8,719)
Change in estimated medical claims incurred and not reported/paid	(73,585)
Net Decrease In Benefit Obligations	<u>(86,120)</u>

Net Decrease in Net Assets Available For Benefits

Additions to net assets attributed to:	
Plan contributions	16,175,202
Forfeiture income	12,305
Investment income	
Net depreciation in fair value of investments	(209,947)
Interest, dividends and realized gains and losses	278,301
Total Additions	<u>16,255,861</u>

Deductions from net assets attributed to:	
Medical claims, net of rebate	11,870,983
Medical, dental and visual administrative costs	3,085,610
Dental claims	503,060
Administrative expenses	606,678
Broker commissions	676,700
Consulting fees	140,981
Vision claims	75,234
Professional fees	47,560
Total Deductions	<u>17,006,806</u>

Net Decrease in Net Assets Available For Benefits (750,945)

Change in Excess of Net Assets Available For Benefits
Over Benefit Obligations (664,825)

**Excess of Net Assets Available For Benefits Over Benefit Obligations,
Beginning of Year** 5,523,676

**Excess of Net Assets Available For Benefits Over Benefit Obligations,
End of Year** \$ 4,858,851

Reconciliation of Changes in Net Assets

December 31, 2014 through December 31, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Excess of Net Assets Available for Benefits Over Benefit Obligation, End of Previous Year	\$ 718,791	\$ 6,149,953	\$ 5,874,801	\$ 6,654,019	\$ 5,523,676
Change in Net Assets	5,431,162	(275,152)	779,218	(1,130,343)	(664,825)
Excess of Net Assets Available for Benefits Over Benefit Obligation, End of Current Year	\$ 6,149,953	\$ 5,874,801	\$ 6,654,019	\$ 5,523,676	\$ 4,858,851

NOTES TO FINANCIAL STATEMENTS

Note 1 – Estimated medical claims incurred but not reported/paid	\$1,443,345
Estimated vision claims incurred but not reported/paid	\$4,245
Estimated dental claims incurred but not reported/paid	\$21,582

The captioned liability established by the Trust as of December 31, 2018, was examined by Lewis & Ellis, Inc., examining actuary for the Department. The result of the actuarial review and analysis indicates that the Trust's claims liability as of December 31, 2018, appears reasonable.

SUMMARY OF RECOMMENDATIONS

The examination resulted in no material or significant findings.

ACKNOWLEDGEMENT

Michael A. Mayberry, FSA, MAAA, of Lewis & Ellis, Inc., performed the actuarial phases of the examination. Nathan Faragher, CFE, CPA, Chief Examiner of the Idaho Department of Insurance, supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Trust.

Respectfully submitted,

A handwritten signature in black ink that reads "Jessie Adamson". The signature is written in a cursive, flowing style.

Jessie L. Adamson, AFE
Examiner-in-Charge
Insurance Financial Examiner
Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

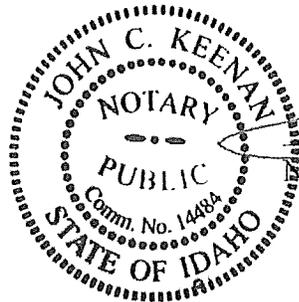
State: Idaho
County: Ada

Jessie L. Adamson, AFE, being duly sworn, deposes and says that she is a duly appointed Examiner for the Department of Insurance of the state of Idaho, that she has made an examination of the affairs and financial condition of the Idaho AGC Self-Funded Benefit Trust for the period January 1, 2014, through December 31, 2018, that the information contained in the report consisting of the foregoing pages is true and correct to the best of her 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, AFE
Examiner-In-Charge
Idaho Department of Insurance

Subscribe and sworn to before me the 25 day of September 2021, at Boise, Idaho.



[Signature]
Notary Public

My Commission Expires: 11 Nov 2025

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State of Idaho
DEPARTMENT OF INSURANCE

BRAD LITTLE
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
FAX # (208)334-4398

DEAN L. CAMERON
Director

WAIVER

In the matter of the Report of Examination as of December 31, 2018 of the:

Idaho AGC Self-Funded Benefit Trust

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the 25th day of September 2020, and by this Waiver hereby consents to the immediate entry of a final order by the Director of the Department of Insurance adopting said report without any modifications.

By executing this Waiver, the Company also hereby waives:

1. its right to examine the report for up to thirty (30) days as provided in Idaho Code section 41-227(4),
2. its right to make a written submission or rebuttal to the report prior to entry of a final order as provided in Idaho Code section 41-227(4) and (5),
3. any right to request a hearing under Idaho Code sections 41-227(5) and (6), 41-232(2)(b), or elsewhere in the Idaho Code, and
4. any right to seek reconsideration and appeal from the Director's order adopting the report as provided by section 41-227(6), Idaho Code, or elsewhere in the Idaho Code.

Dated this 15 day of October, 2020

Idaho AGC Self-Funded Benefit Trust

Adam Warr

Name (print)

[Signature]

Name (signature)

Chair

Title

EXHIBIT

B

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