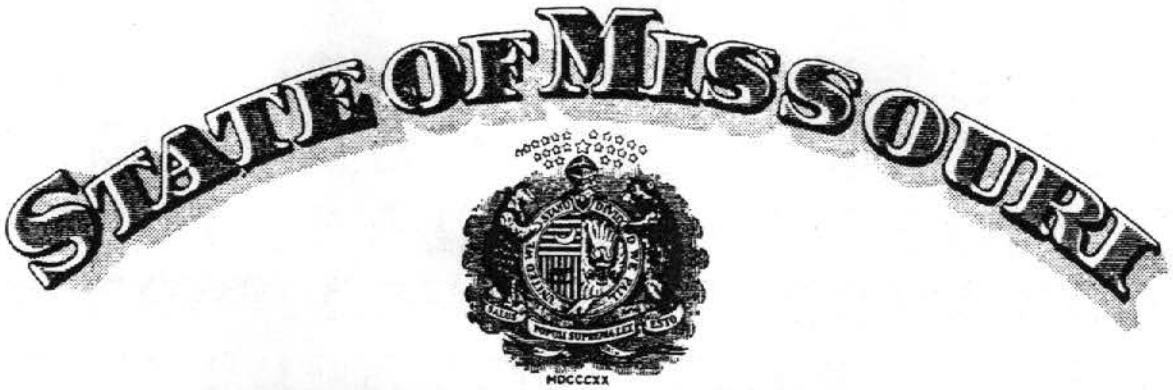


DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Greater Missouri Education Trust as of June 30, 2008

ORDER

After full consideration and review of the report of the financial examination of Greater Missouri Education Trust for the period ended June 30, 2008, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER Greater Missouri Education Trust, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this March 17, 2009.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

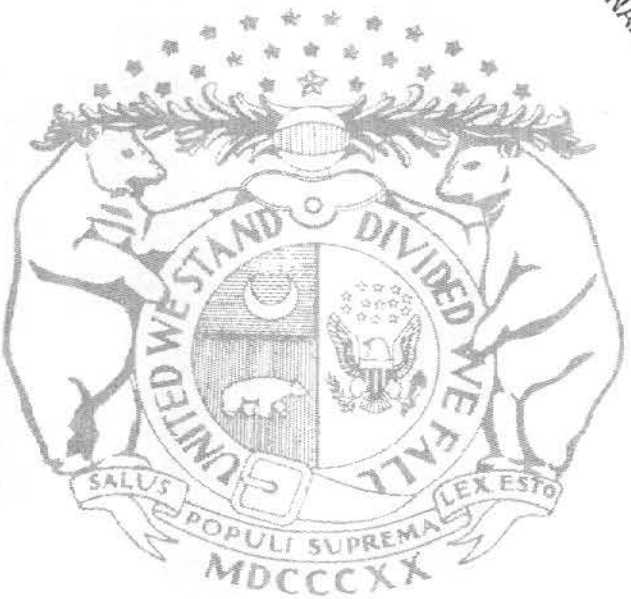
REPORT OF

FINANCIAL EXAMINATION

GREATER MISSOURI EDUCATIONAL TRUST

AS OF
JUNE 30, 2008

FILED
MAR 14 2009
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGULATION

JEFFERSON CITY, MISSOURI

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January 22, 2009
St. Louis, MO

Honorable Kip Stetzler, Acting Director
Missouri Department of Insurance
Financial Institutions & Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Mr. Stetzler:

In accordance with your financial examination warrant, a financial examination has been made of the records, affairs and financial condition of the

Greater Missouri Educational Trust

also referred to as "GMET" or as the "Trust." The examination was conducted at the Trust's third-party administrator's office at 701 Market Street, Suite 1100, St. Louis, Missouri 63101, telephone number 314-588-2519. This examination began on December 1, 2008, and concluded January 22, 2009.

SCOPE OF EXAMINATION

Period Covered

The prior financial examination of the Greater Missouri Educational Trust was performed as of June 30, 2004. The examination was conducted by an examiner from the state of Missouri.

The current financial examination covers the period from July 1, 2004, through June 30, 2008. This examination also included material transactions and/or events occurring after June 30, 2008.

Procedures

This examination was conducted using the guidelines set forth in applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration ("DIFP") and statutes of the state of Missouri. The workpapers of the Trust's independent auditor, Swink, Fiehler and Company, P.C., were made available to the examiner. Standard examination procedures were modified as deemed appropriate under the circumstances.

COMMENTS PREVIOUS EXAMINATION

1. Comment: Conflict of Interest

The Association is again advised to require annual conflict of interest disclosure statements from its officers and directors. Although not mandated by statute, requiring an annual conflict of interest disclosure provides protection to the Association and its members.

Response:

"Conflict of Interest statements will be requested of all Board Members and officers at the spring, 2005 meeting (tentatively scheduled for Mid-March). In addition, such a statement will be required of the director-nominee of new Association-Member Districts as they join. These documents will be updated annually."

Current findings:

The Trust obtains conflict of interest disclosure statements annually from its officers and directors. The statements were reviewed for each year during the examination period. No material conflicts were indicated on any of the statements.

2. Comment: Corporate Records

The Board Meeting minutes do not indicate the Board's review and approval of the Report of Financial Examination as of December 31, 2000. It is recommended that the Board review and approve all Examination Reports and so indicate in the meeting minutes.

Response:

"It is the intent of the Association to obtain review and approval of both Reports of Financial Examination as of December 31, 2000 and as of June 30, 2004 by the Board at its spring, 2005 meeting."

Current findings:

The Board approved both Reports of Financial Examination as of December 31, 2000 and as of June 30, 2004 at the meeting held on March 11, 2005.

3. Comment: Accounts and Records

At June 30, 2004 the Association had funds on deposit at First Community Bank of Poplar Bluff, Missouri significantly in excess of the Federal Deposit Insurance Corporation ("FDIC") limits. It is recommended that the Association take precautionary measures to safeguard the bank account balances in excess of FDIC limits.

Response:
"The Association will make every effort to fully collateralize its deposits in excess of FDIC limits. Further, the Association is in the process of obtaining fidelity coverage per NAIC guidelines (see page 12 of the Examination Report) for those Officers authorized to invest or disburse Association funds."

Current findings:
As noted in the Accounts and Records section of this report, although the Trust monitors the institutions in which it has deposits, several deposits held at June 30, 2008 were significantly in excess of FDIC limits. It is recommended that the Trust continue to monitor these institutions and consider taking additional measures to further safeguard deposits in excess of FDIC limits.

4. Comment: Reinsurance
The Association's reinsurance contract with Sun Life Assurance Company of Canada does not include an insolvency clause stating that the reinsurer is not relieved of its obligation in the event of GMET's insolvency. It is recommended that the reinsurance agreement be amended to include this provision.

Response:
"Since the (insolvency clause) issue was raised in a prior DOI Examination, the Association took great pains to make sure that adequate protection is afforded by the Stop Loss contract taking effect on July 1, 2004. As a result of the examiner's recommendation cited above, the Association reviewed documents pertaining to the Sun Life reinsurance arrangement.

Section VI, General Provisions on page 17 of GMET's Stop Loss Policy, issued by Sun Life states: 'The bankruptcy, insolvency, dissolution, receivership or liquidation of You, Your Plan or Your TPA will not impose upon Us any obligations other than those set forth in this Policy.'

Since the interpretation of the wording in the policy could be subject to some interpretation, clarification of the provision by Sun Life was requested. The intended protection against insolvency afforded by existing coverage was confirmed by Sun Life Assurance Company in a memorandum dated January 17, 2005 as follows: 'the matter of insolvency is of no issue to Sun Life Financial. As stated in our policy, we do not adopt any new responsibilities outside of our contract in cases of insolvency. However, we still fulfill our obligations as outlined in our policy whether the group is solvent, or not. I hope this is clear, as I believe the DOI misinterpreted our contract.'

Additionally, GMET's coverage with Sun Life includes what the insurer describes as an 'accelerated payment' provision, which protects the Trust from the impact to cash flow of a large specific loss. Under this provision, reimbursement of a specific loss may begin as soon as an amount in excess of $10,000 over the specific deductible begins immediately.

Based on all of the above, the Association believes it is in compliance with the Examiner's recommendation that reinsurance provide full coverage in case of insolvency or the negative impact to cash flow of a large Specific Stop Loss claim."

Current findings:

The language contained in the insolvency clause with Sun Life Assurance Company of Canada is ambiguous. As stated in the Trust's response above, the Trust requested and received a clarification from Sun Life that Sun Life will still fulfill its obligations as outlined in the policy whether the Trust is solvent or not. However this clarification was only provided to the Trust informally. It is recommended that the commitment by Sun Life to still fulfill its obligations under the policy if the Trust becomes insolvent be clarified in a formal document, either by amending the insolvency clause in the policy, or by adding an addendum to the policy.

HISTORY

General

Greater Missouri Educational Trust was formed in July 1991, under the provisions of Chapter 537 RSMo (Risk Management for Public Entities) for the purpose of providing health and welfare benefits for eligible and participating employees of members of the Trust. Members of the Trust consist of school districts in the State of Missouri. The original Sponsor of GMET was Benex, Inc. ("Benex"). The original Trustee was Landmark Trust Company ("Landmark"), subsequently known as Union Planters Bank, N.A. ("Union Planters").

Greater Missouri Education Association (GMEA) was formed in November 1991 for the purpose of combining the resources of public school districts in the State of Missouri in an insurance association to provide health and welfare benefits for employees of such school districts through sponsorship of the Greater Missouri Education Trust.

GMEA succeeded Benex as the Sponsor of GMET in November 1999. Union Planters was removed as the Trustee of GMET in August 2001 and was replaced by the individual who, from time to time, holds the office of Chairman of the Trust/Association.

At June 30, 2008, there were twenty-three member school districts.

Capital Stock

The Trust is a not-for-profit entity and has no capital stock.

Dividends

GMET has not declared or paid any dividends since the inception of the Trust.

Management

A Board of Directors, consisting of an employee from each member school district, manages the affairs of the Trust. Directors serving at June 30, 2008, were as follows:

District	Representative
Advance R-IV	Mike Redman
Bell City R-II	Rhonda Niemczyk
Bernie R-XIII	Robin Ritchie
Bloomfield R-XIV	Nicholas Thiele
Butler R-V	Alan Stauffacher
Chaffee R-II	Ken Latham
Clarksburg C-2	John Thompson
Cooter Reorganized School District R-4	William Crowder
Delta R-V	Nathan Crowden
East Prairie R-II	Scott Downing
Kelso C-7	William Rogers
Leopold R-III	Derek Urhahn
New Madrid Co. R-I	Bill Nance
North Pemiscot Co. R-1	Terry Hamilton
Oran R-III	Mitchell D. Wood
Pemiscot R-III	Anthony Hartsfield
Portageville	Toni Hill
Scott City R-I	Diann Bradshaw-Ulmer
Scott County Central	Dr. Joel Holland
South Pemiscot Co. R-V	Johnny Thompson
Three Rivers Community College	Robbie Myers
Twin Rivers R-X	Mike Stevenson
Zalma R-V	Darryl Sauer

The by-laws state that the Board of Directors may appoint up to two ex-officio directors to serve in a non-voting, advisory capacity. Ex-officio directors serving at June 30, 2008, were as follows:

Ex-Officio Directors

Tom Allen	Retired Superintendent	Delta R-V
Ray Shoaf	Retired Superintendent	Scott County Central

The Board elects a chairman, vice-chairman and a CFO. Terms of office are two years, with the vice-chairman succeeding the chairman upon the chairman's retirement. The CFO is not a member of the Board. The officers serving at June 30, 2008 were as follows:

Chairman	Mike Redman	Superintendent	Advance R-IV
Vice Chairman	Diann Bradshaw-Ulmer	Superintendent	Scott City R-I
CFO	Paul Northington	Director of Finance	Hancock Place School District

The chairman and vice-chairman, along with five directors elected by majority vote of the Board and the ex-officio directors, comprise the Trust's Executive Committee. The Executive Committee is responsible for administering the operations of the Trust. The members of the Executive Committee at June 30, 2008 were:

Representative	District
Mike Redman, Chairman	Advance R-IV
Diann Bradshaw-Ulmer, Vice Chairman	Scott City R-I
Ken Latham	Chaffee R-II
Scott Downing	East Prairie R-II
Bill Nance	New Madrid Co. R-I
Anthony Hartsfield	Pemiscot R-III
Robbie Myers	Three Rivers Community College
Tom Allen	Ex-Officio
Ray Shoaf	Ex-Officio

Conflict of Interest
GMET obtains conflict of interest disclosure statements annually from its officers and directors. The statements were reviewed for each year during the examination period. No material conflicts were indicated on any of the statements.

Corporate Records
The minutes of the Board of Directors meetings and of the General Membership meetings held during the examination period were reviewed. The minutes appear to properly support and approve the corporate transactions and events for the period under examination. The minutes reflect that the Board reviewed and approved the prior examination report on October 20, 2005.

No changes were made during the examination period to either the articles of incorporation or to the by-laws.

Acquisitions, Mergers and Major Corporate Events
There were no acquisitions, mergers or other major corporate events during the examination period.

Surplus Debentures
The Trust has not issued any surplus debentures.

SERVICE PROVIDERS

Third Party Administrator
GMET entered into a service agreement with Marsh Advantage America ("Marsh"), a subsidiary of Seabury & Smith, Inc., on July 1, 2004. Seabury & Smith, Inc. is licensed by the Missouri Department of Insurance as a third-party administrator. Marsh changed

its name in November 2005 from Marsh Advantage America to Mercer Administration ("Mercer"). Under the service agreement Mercer provides the following services: claims processing and payment; benefits explanations; regulatory reporting and compliance; records maintenance; and, periodic progress reports. For the fiscal year ending June 30, 2008, GMET paid Mercer an administrative fee totaling $254,014. This amount represents 2.4% of member contributions for the year.

Health Services Provider

GMET and HealthLink, Inc., a Missouri-licensed health maintenance organization, are parties to a health services agreement. Under the agreement GMET beneficiaries have access to two health care provider services networks maintained by HealthLink and to an affiliated PPO (preferred provider organization), Preferred Care. The HealthLink network serves central, eastern and southern Missouri and select counties in Illinois, Iowa, Indiana, Tennessee and Arkansas. The Preferred Care network serves western and northern Missouri and three counties in Kansas. HealthLink also provides utilization review services under the agreement.

GMET also has a service agreement with Health Choice, LLC, a Tennessee-based health services provider. Under the agreement, GMET beneficiaries have access to a network of health service providers established by Health Choice in parts of Tennessee, Arkansas and Mississippi.

The combined premiums paid to HealthLink and Health Choice by GMET for the fiscal year ending June 30, 2008, totaled $133,133, which represents less than 1% of member contributions for the year.

FIDELITY BOND AND OTHER INSURANCE

The Trust maintains fidelity coverage in the amount of $250,000. This level of coverage complies with the minimum amount of fidelity insurance suggested by NAIC guidelines. The Trust does not own real property.

EMPLOYEE BENEFITS

The Trust has no employees and therefore has no pension plan or other employee benefits. All services are provided through contractual agreements with outside parties. The Trust has a contract with the CFO to perform certain administrative services as an independent contractor. This contract provides for monthly compensation based on the number of plan participants.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

Greater Missouri Educational Trust (GMET) is a self-insured trust licensed by the Missouri Department of Insurance under RSMo Sections 537.600 through 537.650 (Sovereign Immunity). Membership in GMET is limited to public school districts located within the state of Missouri. There were twenty-three participating members of GMET as of June 30, 2008.

Policy Forms and Underwriting

GMET offers health, life and accidental death and dismemberment insurance coverage to its members' employees. Prospective members submit an application form which is used by the Trust's third-party administrator for underwriting purposes. The final determination to accept new members is made by the Board of Directors. Each member is required to sign an Adoption Agreement, which states that the member adopts the Greater Missouri Education Trust, as amended and restated. The Third Amended and Restated Trust Agreement states that if any time for any reason Trust assets net of liabilities fall below the reserve determined to be necessary by the Trust Actuary, members may be required to pay an additional contribution.

Health Insurance Coverage

GMET offers three health insurance plan options, designated Plan A, Plan B, and Plan C. Each plan provides unlimited lifetime benefits with an annual limit of $1,000,000 per covered person. For most services, Plan A pays 90% of covered charges incurred within the network and 70% of covered charges incurred outside of the network after satisfying the deductible. For most services, Plans B and C pay 80% of covered charges incurred in-network and 60% of covered charges incurred out-of-network after satisfying the deductible. The Plan A deductible is $500 per person and $1,000 per family unit each calendar year. The deductibles for Plans B and C are $1,000 per person and $2,000 per family unit each calendar year. Plan A has a maximum out-of-pocket amount per calendar year of $1,500 per person or $3,000 per family unit in-network and $3,000 per person or $6,000 per family unit out-of-network. The maximum out-of- pocket amounts for Plans B and C are $3,000 per person or $6,000 per family unit in-network and $5,000 per person or $10,000 per family unit out-of-network. The primary difference between Plans B and C is that Plan B pays 100% of primary care physician office visits after a $25 copayment and 100% of specialty care physician office visits after a $50 copayment while Plan C does not have a copayment for these visits, but pays 80% after the deductible.

Life Insurance Coverage

The Trust offers life insurance to members' employees under a group contract issued by The Prudential Insurance Company of America (Prudential). The life insurance coverage is fully underwritten by Prudential; the Trust does not retain any risk under this coverage. A non-contributory plan is provided to all employees with a benefit amount determined by each member school district. Benefit amounts range from $5,000 to $26,000. An optional contributory plan is also offered to member's employees with benefit amounts

available up to a maximum of five times an employee's annual earnings or $500,000. A contributory plan is also offered to employees who retired on or before July 1, 2004. Employees retiring after July 1, 2004 are not eligible for life insurance coverage unless the member elects to provide the coverage to all retirees on a non-contributory basis. As of June 30, 2008, only one member has elected to provide this coverage.

Accidental Death and Dismemberment Coverage
The Trust's group contract with Prudential also provides accidental death and dismemberment coverage. The accidental death and dismemberment coverage is fully underwritten by Prudential; the Trust does not retain any risk under this coverage. The coverage is provided to all employees on a non-contributory basis. Benefits are payable according to the contract schedule.

Advertising and Sales Materials
Advertising is limited because membership in the Trust is restricted to Missouri public school districts. The Trust's Proposal Form, which is used as an advertising tool, includes a brief history of the Trust, a discussion of self-funding plans, details about the Trust's third-party administrator and a summary of plan benefits.

Treatment of Policyholders
The Trust is not required under Chapter 537 RSMo to maintain a policyholder complaint log; however the Trust's by-laws provide for an appeals process. The Trust began keeping a log of appeals as of July 1, 2004. The review of the log did not reveal any problems with GMET's treatment of its policyholders.

REINSURANCE

Assumed
None

Ceded
The Trust has excess reinsurance coverage through Sun Life Assurance Company of Canada. The policy became effective on July 1, 2004, and is renewed annually. The coverages provided for the 2007-2008 policy year were as follows:

Specific Excess Loss Coverage
The Trust has specific excess coverage from Sun Life that provides $880,000 of coverage per person per year in excess of $120,000 retention. The contract covers claims incurred during the contact period of July 1, 2007 through June 30, 2008, and also provides for an aggregating specific deductible of $170,000 per person.

Aggregate Excess Loss Coverage
The Trust has aggregate excess coverage from Sun Life that provides an aggregate benefit of $1,000,000 in excess of the aggregate deductible. The aggregate deductible is calculated per a formula in the contract, which for the 2007-2008 policy year provided that in no instance shall the aggregate deductible be less than $12,512,859.

Insolvency Clause

The Trust's reinsurance policy with Sun Life Assurance Company of Canada contains an insolvency clause that does not clearly state the responsibilities of Sun Life if the Trust should become insolvent. The insolvency clause in the policy simply states that the Trust's insolvency will not impose any obligations on Sun Life other than those set forth in the policy. The Trust requested and received a clarification from Sun Life that Sun Life will still fulfill its obligations as outlined in the policy whether the Trust is solvent or not. However this clarification was only provided to the Trust informally. It is recommended that the commitment by Sun Life to still fulfill its obligations under the policy if the Trust becomes insolvent be clarified in a formal document, either by amending the insolvency clause in the policy, or by adding an addendum to the policy.

ACCOUNTS AND RECORDS

The Trust's monthly financial statements were prepared by GMET's chief financial officer, Paul Northington. Financial statements are audited annually by Swink, Fiehler and Company, P.C., Certified Public Accountants. The Trust's June 30, 2008 claims liability was reviewed by Theodore J. Hoffman, FSA, of Mercer Health & Benefits LLC. A review was made of the last CPA audit workpapers. These workpapers were utilized in the course of the examination as deemed appropriate.

Bank Deposits

In response to a recommendation made in the prior examination report that the Trust take precautionary measures to safeguard bank deposits in excess of FDIC limits, the Trust began a program during this examination period of diversifying its investments into a total of five financial institutions. The Trust monitors these institutions on a regular basis by tracking their bank ratings. Although each of the five institutions had high ratings as of June 30, 2008, deposits held in two of the institutions exceeded $1 million and deposits in the other three institutions were above or near $500,000. It is recommended that the Trust continue to monitor these institutions and consider taking additional measures to further safeguard deposits in excess of FDIC limits.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of GMET as of June 30, 2008 and the results of operations for the fiscal period then ended. Any examination adjustments to the amounts reported in the financial statements or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Trust and noted in the workpapers for each individual financial statement item.

ASSETS

Cash	$ 3,623,602
Stop-loss receivables	8,284
Interest receivable	14,508
Total Assets	$ 3,646,394

LIABILITIES AND MEMBERS' FUND BALANCE

Claims payable and reserve	$ 1,743,400
Total Liabilities	$ 1,743,400
Members' Fund Balance	$ 1,902,994
Total Liabilities and Members' Fund Balance	$ 3,646,394

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

Revenues		
Membership contributions	$	9,256,926
Stop loss insurance recoveries		112,089
Interest income		147,788
Total Income	$	9,516,803
Expenses		
Claims payments for benefits	$	7,471,135
Net increase in benefit obligations		195,057
Group insurance premiums		771,688
Administrative and agency fees		254,014
Wellness program		43,800
Actuary, legal, audit and trust fees		21,221
Bank fees, printing and other expenses		10,960
Total Expenses	$	8,767,875
Net Income/(Loss)	$	748,928
Change in Members' Fund Balance		
Beginning Fund Balance	$	1,154,066
Net Income	$	748,928
Ending Fund Balance	$	1,902,994

NOTES TO FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

There are no examination changes.

GENERAL COMMENTS OR RECOMMENDATIONS

Reinsurance Page 9

The language contained in the insolvency clause with Sun Life Assurance Company of Canada is ambiguous. The Trust received a clarification from Sun Life that Sun Life will still fulfill its obligations as outlined in the policy whether the Trust is solvent or not. However this clarification was only provided to the Trust informally. The commitment by Sun Life to still fulfill its obligations under the policy if the Trust becomes insolvent should be clarified in a formal document, either by amending the insolvency clause in the policy, or by adding an addendum to the policy.

Accounts and Records Page 9

As of June 30, 2008, the Trust had deposits in two financial institutions that exceeded $1 million and deposits in three other institutions that were above or near $500,000. The Trust monitors the bank ratings of these institutions in order to safeguard deposits over FDIC limits. The Trust should continue to monitor these institutions and consider taking additional measures to further safeguard deposits in excess of FDIC limits.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers of the Trust and of its TPA, Mercer Administration, during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Richard J. Hayes, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Trust, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiner found reasonably warranted from the facts.

Richard J. Hayes, CFE, FLMI
Examiner-in-Charge
Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 16th day of January, 2009

My commission expires:
10/6/09

Heidi A. Nothelsen
Notary Public

HEIDI A. NOTHEISEN
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI, ST. LOUIS CITY
MY COMMISSION EXPIRES 10-06-09
COMMISSION #05514582

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with the applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration and the statutes of the State of Missouri has been confirmed.

Michael R. Shadowens, CFE
Audit Manager, St. Louis
Department of Insurance, Financial Institutions and Professional Registration

Paul W. Northington, Chief Financial Officer
Greater Missouri Educational Trust
C/O Mercer Health & Benefits, LLC
701 Market St., Suite 1100
St. Louis, MO 63101-1867

(314) 588-2500
(314) 588-2525

February 26, 2009

RECEIVED
MAR 0 2 2009
INSURANCE SOLVENCY
&
COMPANY REGULATION

Mr. Frederick G. Heese, CFE, CPA
Chief Financial Examiner & Acting Division Director
Missouri Department of Insurance
P.O. Box 690
Jefferson City, Mo. 65102-0690

Subject: Responses to Examination Report (Your letter dated January 29)

Thank you for the response copy of the Department's Examination Report of the Greater Missouri Educational Trust (GMET) for the period ending June 30, 2008. This letter will outline actions taken and proposed in response to the Examination. **Please include GMET's responses in the final public-record version of the Report.**

GENERAL COMMENTS OR RECOMMENDATIONS AND RESPONSES THERETO

Reinsurance — Page 9

The language contained in the insolvency clause with Sun Life Assurance Company of Canada is ambiguous. The Trust received a clarification from Sun Life that Sun Life will still fulfill its obligations as outlined in the policy whether the Trust is solvent or not. However this clarification was only provided to the Trust informally. It is recommended that the commitment by Sun Life to still fulfill its obligations under the policy if the Trust becomes insolvent be clarified in a formal document, either by amending the insolvency clause in the policy, or by adding an addendum to the policy.

Response

Per the examiner's recommendation, the Trust will request a formalized restatement of Sun Life's intent to fulfill its obligations under the policy regardless of the Trust's solvency status.

Accounts and Records — Page 9

As of June 30, 2008, the Trust had deposits in two financial institutions that exceeded $1 million and deposits in three other institutions that were above or near $500,000. The Trust monitors the bank ratings of these institutions in order to safeguard deposits over FDIC limits. It is recommended that the Trust continue to monitor these institutions and consider taking additional measures to further safeguard deposits in excess of FDIC limits

Response

As a result of the 2004 examination recommendations, the Trust began a program of diversifying its investments into a total of five financial institutions, in order to spread its risk. While it continues to be deemed impractical to use sufficient institutions to bring all deposits under FDIC limits, the Bankrate Monitor and CAEL (Capitalization, Asset quality, Earnings and Liquidity) ratings of all such institutions are monitored closely on an ongoing basis. Additionally, the maturity of the certificates of deposit are staggered to safeguard against the potential cash need for funding unexpected high-dollar claims payments in anticipation of stop loss reimbursement.

On behalf of GMET, its Directors and Officers, please allow me to thank the Department for its assistance, and guidance.

Sincerely,

Paul W. Northington
Chief Financial Officer

CC: Messrs. Redman (Chairman), Des Roches (TPA)