

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

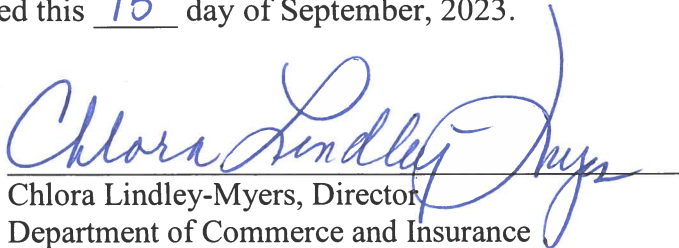
ORDER

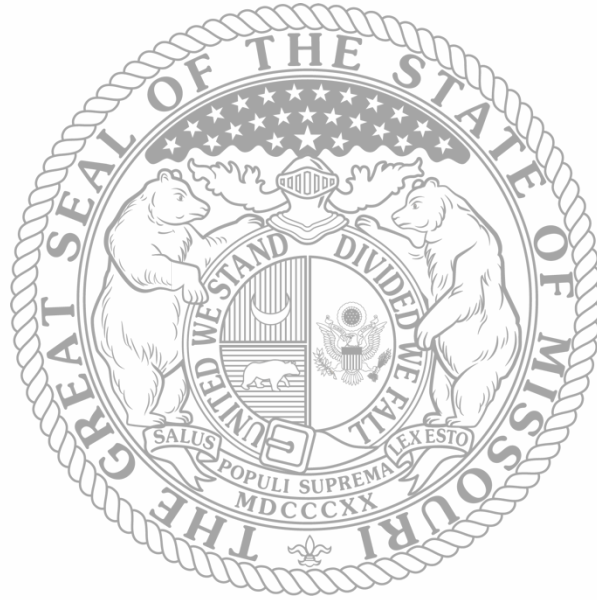
After full consideration and review of the report of the financial examination of Self Insurance Pool of Greater Kansas City, Inc. for the period ended June 30, 2022, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Self Insurance Pool of Greater Kansas City, Inc. as of June 30, 2022, be and is hereby ADOPTED as filed and for Self Insurance Pool of Greater Kansas City, Inc. 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) 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 15th day of September, 2023.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

SELF INSURANCE POOL OF GREATER KANSAS CITY, INC.

AS OF
JUNE 30, 2022

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
SUMMARY OF SIGNIFICANT FINDINGS	1
ASSOCIATION HISTORY	2
GENERAL.....	2
DIVIDENDS AND ASSESSMENTS	2
MERGERS AND ACQUISITIONS	2
MANAGEMENT AND CONTROL	2
BOARD OF DIRECTORS	2
OFFICERS.....	3
COMMITTEES	3
CORPORATE RECORDS.....	3
SERVICE PROVIDERS	4
TERRITORY AND PLAN OF OPERATIONS	4
GROWTH OF ASSOCIATION	5
NET ASSETS	5
REINSURANCE	5
ASSUMED	5
CEDED	6
ACCOUNTS AND RECORDS	6
INDEPENDENT AUDITOR	6
EXTERNAL ACTUARY	6
FINANCIAL STATEMENTS	6
ASSETS.....	7

LIABILITIES AND NET POSITION.....	7
STATEMENT OF REVENUES AND EXPENSES.....	8
COMMENTS ON FINANCIAL STATEMENT ITEMS	9
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	9
SUMMARY OF RECOMMENDATIONS.....	9
SUBSEQUENT EVENTS.....	9
ACKNOWLEDGMENT	10
VERIFICATION.....	10
SUPERVISION	11

Jefferson City, MO
June 26, 2023

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

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

Self Insurance Pool of Greater Kansas City, Inc.

hereinafter referred to as such, as SIPGKC, or as the Association. Its administrative office is located at 22712 NW Ashford Court, Blue Springs, Missouri, 64015. The fieldwork for this examination began on January 25, 2023, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of SIPGKC. The last examination of the Association by the Department covered the period of August 15, 2012, through June 30, 2016. The current examination covers the period of July 1, 2017, through June 30, 2022, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

This examination was conducted using the guidelines set forth by applicable regulations of the Missouri Department of Commerce and Insurance and the Revised Statutes of Missouri (RSMo). Standard financial examination procedures were modified as necessary to appropriately address SIPGKC's organizational structure.

SUMMARY OF SIGNIFICANT FINDINGS

The Association's practice of determining assessments of member school districts is based upon the actual premiums and claims experience of each school district's enrollees, plus other direct and allocated amounts. This practice did not comply with the Articles of Incorporation that were in effect during the examination period, which required assessments to be allocated based upon the pro rata share of each district's premiums in relation to total premiums. Both the Articles of Incorporation and Bylaws were amended and restated in June of 2023 to address this compliance issue. Refer to the Corporate Records section for a description of the revisions that were made.

There were no material adverse findings or material changes to the financial statements noted during the examination.

ASSOCIATION HISTORY

General

The Association was formed as a non-profit corporation to provide health, dental, and vision insurance and other benefits for employees of member school districts in Missouri. The Association received a Certificate of Authority from the Department on August 15, 2012, and was incorporated on August 30, 2012. SIPGKC operates under the provisions of Sections 537.600 to 537.650 RSMo (Sovereign Immunity).

Dividends and Assessments

There are no provisions in the Articles of Incorporation or Bylaws for the Association to make dividend payments to members.

Both the Articles of Incorporation and Bylaws include provisions that require members to pay assessments for any deficit balances that may exist. A rolling balance of the net surplus or deficit attributable to each member is tracked on a monthly basis. The premiums, pharmacy rebates, and claims expenses for each member are based upon the actual amounts attributable to each member's enrollees. General and administrative expenses are allocated based upon monthly enrollee levels. It is common for SIPGKC to assess its members several times each fiscal year to address any deficit balances that are experienced. Below is a summary of assessments paid by members, in addition to regular monthly premiums, for the examination period:

<u>Fiscal Year</u>	<u>Assessments</u>
2017-2018	\$ 5,492,343
2018-2019	3,363,426
2019-2020	2,013,887
2020-2021	5,202,527
2021-2022	<u>7,647,378</u>
TOTAL	<u>\$23,719,561</u>

Mergers and Acquisitions

There were no mergers or acquisitions involving the Association during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Association is vested in a Board of Directors. The Bylaws specify that the Superintendent of each member school district will serve on the Board of Directors, unless a school district delegates another officer to serve as its representative. The members serving on the Board of Directors, as of June 30, 2022, were as follows:

<u>Name</u>	<u>Principal Occupation</u>	<u>School District</u>
Shawn Roderick	Director of Human Resources and Benefits	Blue Springs
Jason Snodgrass	Superintendent	Fort Osage
Nick Gooch	Assistant Superintendent	Grain Valley
Wayne Krueger	Administrator	Smithville

Officers

The officers elected and serving, as of June 30, 2022, were as follows:

<u>Name</u>	<u>Office</u>
Shawn Roderick	President
Jason Snodgrass	Vice President
Nick Gooch	Secretary / Treasurer

The Bylaws also authorize a Plan Administrator, which has been Gary Abram since the Association was organized in 2012. Mr. Abram is the President and sole shareholder of Cooperating Plan Management, Inc., which has a Management Agreement with SIPGKC that is described in the Service Providers subsection of this report.

Committees

The Bylaws do not require any committees of the Board of Directors. The Bylaws do allow for an Executive Committee to be formed if SIPGKC's membership exceeds five districts. There were no formal or informal committees active during the examination period.

Corporate Records

The Association's Articles of Incorporation and Bylaws were reviewed. There were no amendments to the Articles of Incorporation during the examination period.

The Bylaws were amended and restated in February of 2019, which included the following revisions: (1) list the current member school districts, (2) change the date of the annual meeting of the Board of Directors from September to October, (3) add the ability to conduct an audit of the claims payment practices of the claims administrator, (4) eliminate the requirement for an annual financial statement audit by an independent Certified Public Accounting (CPA) firm, (5) add a requirement for an actuary to be retained in the annual determination of rates, (6) add a requirement for the incurred but not reported (IBNR) reserve to be estimated annually by an actuarial or consulting firm, (7) add terms to allocate administrative expenses based upon enrollee counts, and (8) add a requirement for assessments to be paid within 90 days.

The Bylaws were also amended and restated in September of 2020. The only change was to update the list of current member school districts.

Article 5 of the Articles of Incorporation states that "in the event a deficit occurs with respect to any fiscal year" in which "the Board determines an assessment is required...each member shall pay its pro rata share of any such assessment...based upon annual aggregate premiums paid to SIPGKC by each member". However, as noted in the Summary of Significant Findings section above, the Association's actual practice for assessment calculations does not comply with the methodology prescribed in Article 5. Further, Article 6.3(e) of the Bylaws also has requirements for members to pay assessments for any deficits. However, the Bylaws are silent in regards to the allocation methodology of any deficit balances among members. The actual practice for determining assessments should match the assessment requirements that are specified in the Articles of Incorporation and/or the Bylaws to avoid potential disputes in the future.

Subsequent to the examination date, on June 7, 2023, the Board of Directors approved the amended and restated Articles of Incorporation, which removed the language from Article 5 that specified the calculation for assessments and replaced it with wording that specified guidance for member assessments would be outlined in the Bylaws. The Board of Directors also approved

the amended and restated Bylaws on June 7, 2023, which added requirements that assessments are to be calculated based upon the claims experience of each member's participants. The current practice of calculating member assessments is now in compliance with the provisions of the amended and restated Bylaws.

The minutes of the Board of Directors' and membership meetings were reviewed for proper approval of corporate transactions.

Service Providers

SIPGKC does not have any employees to perform day-to-day operations. All business functions are outsourced to third party providers. Below is a summary of the significant service providers utilized, as of June 30, 2022:

- **Cooperating Plan Management, Inc. (CPM)** – A consulting firm that provides the management and administration for the daily operations of SIPGKC. CPM also manages a wellness center that is available to enrollees of member school districts. Pursuant to a Management Agreement, compensation paid to CPM is a monthly fee based upon a sliding scale rate multiplied by total enrollees. As total enrollees increase, the rate per enrollee decreases. SIPGKC also pays for the payroll costs and other expenses of the wellness center, per the terms of the Management Agreement.
- **Cigna Health and Life Insurance Company (Cigna)** – A benefit administrator that provides a network of medical providers for member enrollees. Additional services include enrollment, claims handling, claims payment, customer service, case management, and pharmacy benefits. Pursuant to an Administrative Services Only (ASO) Agreement, the Association pays Cigna a monthly fee based upon a fixed rate per employee.
- **BerganKDV, Ltd.** – An external accounting firm that provides accounting and financial statement preparation services. This firm also manages the collection of premium from retirees. The costs for services provided by BerganKDV, Ltd. are included in the fees paid to CPM.
- **Mercer (US), LLC (Mercer)** – An actuarial firm that provides rating services and determines IBNR reserves for claims expenses.
- **Haynes Benefits, PC** – A law firm that provides legal services and legal advice.

TERRITORY AND PLAN OF OPERATIONS

As of June 30, 2022, the Association had four member school districts that are located near Kansas City, Missouri. Membership totaled 3,214 enrollees in the Association's health program, which includes active employees, dependents, and retirees. The largest school district, Blue Springs, accounted for 55% of total enrollees, as of June 30, 2022. Two members participate in the optional dental insurance program.

The Association is associated with Cooperating School Districts of Greater Kansas City (CSDGKC), which is a cooperative organization that seeks to pool resources for the benefit of 32 member school districts. SIPGKC was formed by CSDGKC in 2012. CSDGKC provides services in the areas of legislation, purchasing, human resources, professional development, and information technology to benefit members. All current members of SIPGKC are also members of CSDGKC. Marketing efforts to grow SIPGKC continue to target the members of CSDGKC for possible future membership in SIPGKC.

The actuarial firm Mercer provides annual analysis and recommendations for rate changes for each member school district. However, each school district makes its own decision on the percentage rate change that will be implemented for the next fiscal year. The Board of Directors of SIPGKC acknowledges, but does not approve rate changes, in accordance with the Bylaws.

Cigna health insurance plans that are offered to member employees and retirees are structured individually by each school district. The types of plans include preferred provider organization (PPO) plans, high deductible health plans (HDHP), and health savings account (HSA) plans. As of June 30, 2022, 56% of enrollees participated in an HDHP plan.

GROWTH OF ASSOCIATION

The table below shows the Association’s membership and earned premiums for each fiscal year of the examination period.

Fiscal Year	Member School Districts	Earned Premiums and Assessments
2017-2018	5	\$35,679,815
2018-2019	5	29,961,437
2019-2020	4	31,288,748
2020-2021	4	32,358,172
2021-2022	4	32,256,048

Three school districts – Blue Springs, Grain Valley, and Smithville – have been members of SIPGKC since its formation in 2012. The fourth current member, Fort Osage, joined in the 2020-2021 fiscal year.

NET ASSETS

The Association’s reported net assets (surplus) were zero as June 30 for each fiscal year of the examination period. An assessment receivable is recorded in the June 30 financial statements each year to move the net assets (surplus) from a negative position to a zero balance. The reason for this practice is the Association’s business plan to operate with breakeven results. Each member school district determines the premium rates for its own enrollees, and each district is responsible for any deficit resulting from the claims experience from its own enrollees. Due to this business model, the Association is not concerned with a surplus level that is regularly at, or slightly below, zero.

REINSURANCE

Assumed

The Association does not assume any business.

Ceded

The Association has an excess of loss agreement, effective July 1, 2021, to June 30, 2022, with Sun Life Assurance Company of Canada (Sun Life) that applies to all members except Fort Osage. The agreement covers 100% of losses that exceed a \$275,000 deductible per enrollee. Subsequent to the examination period, the Association entered into a new excess of loss agreement with Reliastar Life Insurance Company (Reliastar Life), effective July 1, 2022, to June 30, 2023. The agreement for fiscal year 2022-2023 had the same deductible of \$275,000 per enrollee that was included in the Sun Life agreement for the 2021-2022 fiscal year.

The Association has a separate excess of loss agreement, effective January 1, 2022, to December 31, 2022, with Reliastar Life that applies to Fort Osage only. The agreement covers 100% of losses that exceed a \$175,000 deductible per enrollee. The agreement also includes \$1,000,000 of aggregate excess of loss coverage for losses in excess of a 120% loss ratio.

The Association is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement or policy.

ACCOUNTS AND RECORDS**Independent Auditor**

The CPA firm Williams Keepers, LLC, located in Jefferson City, Missouri, performed an audit of the Association's financial statements for all years of the examination period. The CPA workpapers for the audit of the June 30, 2022, financial statements were reviewed and used during the course of the examination as deemed appropriate.

External Actuary

The claims payable reserves at the end of the fiscal year (as of June 30) were determined by Theodore J. Hoffman, FSA, for all years in the examination period. Mr. Hoffman is employed by Mercer, a business unit of Marsh & McLennan Companies, Inc., located in Kansas City, Missouri.

FINANCIAL STATEMENTS

The following financial statements are based on the financial statements filed by SIPGKC with the Missouri Department of Commerce and Insurance and present the financial condition of the Association for the period ending June 30, 2022. The accompanying "Comments on Financial Statement Items" section reflects any examination adjustments to the amounts reported and should be considered an integral part of the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items" section. These differences were determined to be immaterial concerning their effect on the financial statements, and therefore, were only communicated to the Association and noted in the workpapers for each individual financial statement item.

ASSETS

As of June 30, 2022

Cash	\$ 4,446,129
Assessments Receivable	662,342
Pharmacy Rebates Receivable	613,544
Reinsurance Recoverable	280,239
Other Assets	105,586
TOTAL ASSETS	\$ 6,107,840

LIABILITIES AND NET POSITION

As of June 30, 2022

Claims Payable	\$ 1,959,011
Unearned Premiums	4,148,829
TOTAL LIABILITIES	\$ 6,107,840
NET POSITION (SURPLUS)	\$ -
TOTAL LIABILITIES AND NET POSITION	\$ 6,107,840

STATEMENT OF REVENUES AND EXPENSES

For the Year Ended June 30, 2022

Premiums	\$ 28,032,437
Assessments	7,647,378
Pharmacy Rebates	2,353,463
Other Revenues	<u>230,320</u>
Total Revenues	\$ 38,263,598
Claims Incurred	\$ 36,937,580
Wellness Center Expenses	764,416
General and Administrative Expenses	<u>561,602</u>
Total Expenses	\$ 38,263,598
NET INCOME	\$ <u><u>-</u></u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

Any significant subsequent events noted as a result of the examination are disclosed in the related sections of the examination report.

ACKNOWLEDGMENT

The assistance and cooperation extended by Self Insurance Pool of Greater Kansas City, Inc. during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Tim L. Tunks, 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 Self Insurance Pool of Greater Kansas City, Inc., 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 examiners find reasonably warranted from the facts.

Tim Tunks

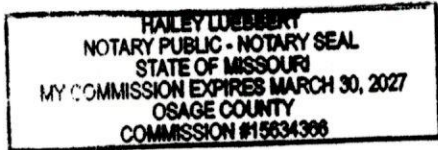
Tim L. Tunks, CPA, CFE
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 23rd day of August, 2023.

My commission expires: March 30, 2027

Hailey Lubbert

Notary Public



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 guidelines set forth by applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri has been confirmed.



Sara McNeely, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance