

# STATE OF MISSOURI



## DEPARTMENT OF COMMERCE & INSURANCE

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

### ORDER

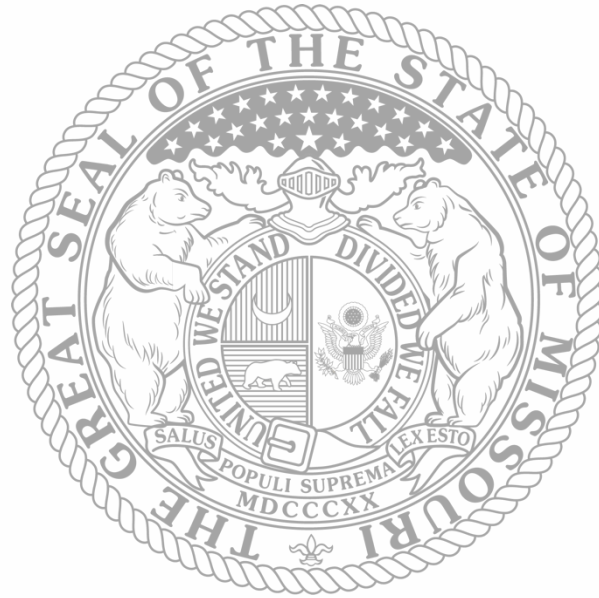
After full consideration and review of the report of the financial examination of CSD Insurance Pool, Inc. for the period ended June 30, 2023, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department 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, fund balance (surplus), 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 CSD Insurance Pool, Inc. as of June 30, 2023, be and is hereby ADOPTED as filed and for CSD Insurance Pool, 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 21<sup>st</sup> day of November, 2024.



*Chlora Lindley Myers*  
Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# CSD INSURANCE POOL, INC.

AS OF  
JUNE 30, 2023

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO  
October 16, 2024

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

**CSD Insurance Pool, Inc.**

hereinafter referred to as such, as CSD, or as the Company. Its administrative office is located at 613 Big Bend Road #688, Manchester, Missouri, 63021. The fieldwork for this examination began on April 3, 2024, and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The Missouri Department of Commerce and Insurance (DCI) has performed a single-state financial examination of CSD. The last examination of the Company by the DCI covered the period of October 31, 2013, through June 30, 2018. The current examination covers the period of July 1, 2018, through June 30, 2023, 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 statutes of the state of Missouri. Standard examination procedures were modified as necessary under the circumstances.

**SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

**COMPANY HISTORY**

**General**

The Company was formed as a non-profit corporation on October 9, 2013, to provide health and welfare benefit programs for employees of public educational institutions. The Company operates under the provisions of Sections 537.620 to 537.650 RSMo (Sovereign Immunity) and is licensed by the DCI as an assessable, self-insured political subdivision.

The Company operates under the name "CSD Insurance Trust", which was a predecessor entity that formed CSD Insurance Pool, Inc. in 2013.

**Dividends and Assessments**

The Bylaws allow for “credits”, which are equivalent to surplus distributions, to be paid to members from a profitable year. CSD distributed credit payments to members in June 2021 that totaled \$3,478,699. The credit payment for each member was based upon the member count during fiscal year 2019-20. There were no other surplus distribution payments during the examination period.

The Articles of Incorporation and Bylaws allow for special assessments, in addition to normal premiums, upon approval of the Advisory Committee of the Board of Directors. The Articles of Incorporation limit the amount of special assessments to 50% of annual premiums for each member. There were no special assessments approved during the examination period.

**Mergers and Acquisitions**

The Company was not party to any mergers or acquisitions during the examination period.

**MANAGEMENT AND CONTROL****Board of Directors**

The management of the Company is vested in a Board of Directors, which is appointed by the members. The Company’s Bylaws specify that the Board of Directors shall consist of three members that are appointed in staggered, three-year terms. The Board of Directors elected and serving, as of June 30, 2023, were as follows:

<b><u>Name</u></b>	<b><u>Principal Occupation</u></b>	<b><u>School District</u></b>
Pam Frazier	Chief Financial Officer	Webster Groves
Dwight Lindhorst	Chief Financial Officer	Ritenour
Jennifer Younce	Accountant	Windsor

**Officers**

The only officer of the Board of Directors is a Chair that presides over meetings and supervises the operation and administration of the Company. Dwight Lindhorst was the appointed Chair, as of June 30, 2023.

The Bylaws require an Administrator position that is appointed by the Board of Directors to provide comprehensive services to implement the activities of the Company. The specific duties and powers of the Administrator are to be specified in a separate agreement. Doug Baum of Baum Consulting, LLC, has served as the Administrator since October 1, 2016.

**Committees**

The Bylaws require an Advisory Committee that is comprised of one representative from each member of CSD. The Bylaws authorize the Advisory Committee to elect and remove members of the Board of Directors, approve amendments to the Articles of Incorporation or Bylaws, approve premium rates and assessments, and terminate and dissolve the Company.

The Bylaws require a Senior Advisory Committee comprised of five members of the Advisory Committee. The Bylaws also require an Investment Committee.

### **Corporate Records**

The Company's Articles of Incorporation and Bylaws were reviewed to determine compliance and the purpose of any amendments.

The Articles of Incorporation were amended and restated on May 23, 2022, to change the name from "Board of Trustees" to "Board of Directors" throughout the document. No substantive changes were noted in the amended and restated Articles of Incorporation.

The Bylaws were also amended and restated in May 2022. The significant changes to the Bylaws were (1) change the name from "Board of Trustees" to "Board of Directors" throughout the document, (2) add a section establishing an ordinary care and reasonable diligence expectation of directors and exclude personal liability for such performance, (3) add a section defining the role of the Administrator, (4) add a section defining the required contributions from members, (5) remove sections defining different classes of members and commitments from such classes, and (6) revise the run-off fees for terminating members.

Minutes are not kept for Board of Directors' meetings. The minutes of the Advisory Committee meetings were reviewed for proper approval of corporate transactions.

### **Service Providers**

CSD does not have any employees. All business functions are outsourced to third parties. Below is a summary of the significant service providers utilized, as of June 30, 2023:

- **Baum Consulting, LLC** – Administrator responsible for the overall management and operations of the Company.
- **RightChoice Managed Care, Inc. dba Anthem Blue Cross and Blue Shield (Anthem)** – Insurance company for the health and vision plans under an Administrative Services Only (ASO) agreement. Claims handling, provider networks, case management, pharmacy benefits, and other services are provided.
- **Empyrean Benefit Solutions, Inc.** – Provides benefit administration services including enrollment, premium processing, enrollee customer support, employee self-service website, COBRA administration, ACA reporting, and various reports for premiums and enrollment.
- **Willis Towers Watson US, LLC (WTW)** – Actuarial and consulting firm that provides medical plan design and structure, premium rate calculations, estimates for loss and LAE reserves, reports for Advisory Committee meetings, and other services.
- **Schmersahl Treloar & Co.** – Accounting firm that provides accounting functions to maintain the general ledger and monthly financial statement preparation services.

### **TERRITORY AND PLAN OF OPERATIONS**

The Articles of Incorporation states that members of CSD must be public school districts, charter schools, or other educational institutions that qualify as political subdivisions under Missouri law. As of June 30, 2023, the Company had 25 members that were all located within or near the St. Louis metropolitan area. The two largest members accounted for 57% of total premiums for the 2022-23 fiscal year. CSD operates on a fiscal year from July 1 to June 30 for financial reporting. However, the policy year for health and optional plans is October 1 through September 30.

The health plans available to member employees are preferred provider organization (PPO) plans and health savings account (HSA) plans. As of June 30, 2023, there were 11,347 enrollees in PPO plans and 1,457 enrollees in the HSA plans. Premiums for the health plans accounted for 93% of total self-insured premiums for fiscal year 2022-23. Optional self-insured plans offered to member employees are vision, dental, and health reimbursement accounts. Fully insured life insurance and disability plans are also optional.

Anthem pays all medical, pharmacy, and vision claims and bills the Company weekly for reimbursement, pursuant to the ASO agreement. Delta Dental pays dental claims and also bills the Company for reimbursement on a weekly basis.

The Bylaws require an annual tiered rating system for health plans that is based upon each member's loss ratio over a rolling three-year period. There are five rating tiers that range from a loss ratio under 70% up to the highest tier for members with a loss ratio over 100%. Members that fall in the tier with the lowest loss ratios receive lower premium rate increases or may have rate decreases. Annual premium rates progressively increase as the loss ratios increase for each tier.

### GROWTH OF COMPANY

Membership was stable during the examination period. There were 27 members in the prior examination, as of June 30, 2018, and 25 members in the current examination, as of June 30, 2023. The table below shows the Company's direct earned premiums for each fiscal year of the examination period.

Fiscal Year	Earned Premiums	Percentage Increase
2018-19	\$91,876,135	4%
2019-20	92,720,092	1%
2020-21	95,841,044	3%
2021-22	98,685,838	3%
2022-23	99,283,350	1%

### FUND BALANCE (SURPLUS)

Below is a yearly summary of the Company's reported fund balance (surplus) for the examination period:

As of Date	Surplus
June 30, 2019	\$18,057,924
June 30, 2020	25,545,675
June 30, 2021	27,710,453
June 30, 2022	22,495,421
June 30, 2023	13,259,032

High severity claim costs resulted in significant losses and the reduction in surplus for fiscal years 2021-22 and 2022-23. The Board of Directors has addressed the declines in surplus with plans to implement rate increases, wellness initiatives, and a new program to reduce pharmacy costs.



## REINSURANCE

### Assumed

The Company does not assume any business.

### Ceded

The Company executes a stop-loss reinsurance agreement annually with effective dates that coincide with the Anthem policy year from October 1 to September 30 that is applicable to health insurance losses. As of June 30, 2023, the stop-loss agreement was with Healthy Alliance Life Insurance Company (HALIC), a subsidiary of Anthem. The agreement covers all losses for an individual member that exceed the Company's retention of \$600,000 per member, per year. This level of retention is slightly higher than a \$550,000 retention in effect during the prior examination.

A new stop-loss agreement, effective October 1, 2023, was executed with Sun Life Assurance Company of Canada. This agreement included the same retention of \$600,000 per member, per year that was included in the HALIC agreement.

The Company 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 certified public accounting (CPA) firm Rubin Brown, LLP, located in St. Louis, Missouri, performed an audit of the Company's financial statements for all years of the examination period. CPA workpapers for the audit of the June 30, 2023, financial statements were reviewed and used in the course of the examination as deemed appropriate.

### External Actuary

Grant Korzak, FSA, MAA, CEBS, of WTW, located in Chicago, Illinois, provided an estimate of Incurred But Not Reported (IBNR) reserves at June 30, 2023.

## FINANCIAL STATEMENTS

The following financial statements are based on the financial statements filed by CSD with the Missouri Department of Commerce and Insurance and present the financial condition of the Company for the period ending June 30, 2023. 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 Company and noted in the workpapers for each individual financial statement item.

**ASSETS**

As of June 30, 2023

Investments	\$15,789,157
Cash and Cash Equivalents	9,594,061
Member Contributions Receivable	157,586
Pharmacy Rebates Receivable	1,041,976
Prepaid Expenses	75,685
<b>TOTAL ASSETS</b>	<b><u>\$26,658,465</u></b>

**LIABILITIES AND SURPLUS**

As of June 30, 2023

Loss and LAE Reserves	\$ 9,298,478
Unearned Premiums	4,093,407
Accounts Payable	7,548
<b>TOTAL LIABILITIES</b>	<b><u>\$13,399,433</u></b>
<b>NET POSITION (SURPLUS)</b>	<b><u>\$13,259,032</u></b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b><u>\$26,658,465</u></b>

**STATEMENT OF REVENUES AND EXPENSES**

For the Year Ended June 30, 2023

Member Contributions	\$ 99,283,350
Ceded Premiums	(1,563,123)
Pharmacy Rebates	1,041,976
Investment Income	<u>910,369</u>
<b>Total Revenues</b>	<b>\$ 99,672,572</b>
Claims Incurred	\$101,247,562
Claims Administration Expenses	2,444,153
Program Administration Expenses	1,993,997
Insurance Premiums	2,765,498
General and Administrative Expenses	<u>457,751</u>
<b>Total Expenses</b>	<b>\$108,908,961</b>
<b>NET INCOME (LOSS)</b>	<b><u>(\$ 9,236,389)</u></b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

None.

**ACKNOWLEDGMENT**

The assistance and cooperation extended by CSD Insurance Pool, 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 CSD Insurance Pool, 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*

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

Sworn to and subscribed before me this 4<sup>th</sup> day of November, 2024.

My commission expires: March 30, 2027 *Hailey Luebbert*  
\_\_\_\_\_  
Notary Public

HAILEY LUEBBERT  
NOTARY PUBLIC - NOTARY SEAL  
STATE OF MISSOURI  
MY COMMISSION EXPIRES MARCH 30, 2027  
OSAGE COUNTY  
COMMISSION #18634366



**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.

*Michael R. Shadowens*

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Michael Shadowens, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce and  
Insurance