



## DEPARTMENT OF COMMERCE & INSURANCE

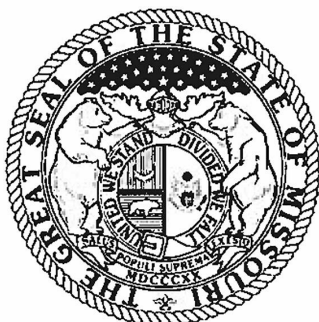
P.O. Box 690, Jefferson City, Mo. 65102-0690


### ORDER

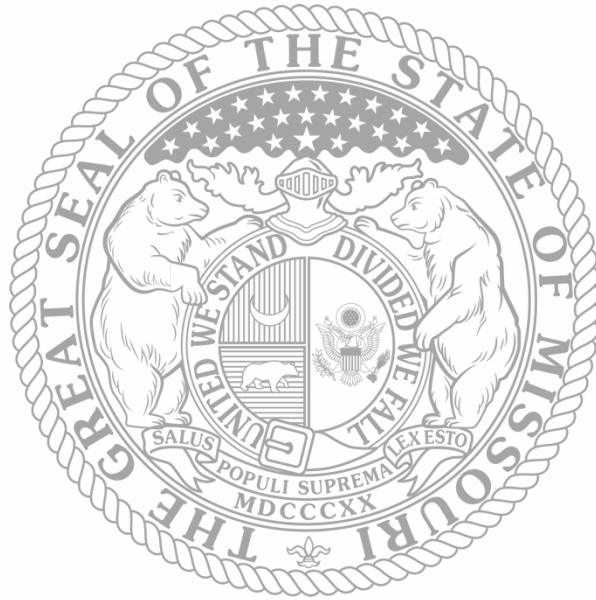
After full consideration and review of the report of the financial examination of Missouri Chamber Federation Benefit Plan for the period ended December 31, 2019 together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director 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 Missouri Chamber Federation Benefit Plan as of December 31, 2019 be and is hereby ADOPTED as filed and for Missouri Chamber Federation Benefit Plan 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 02<sup>nd</sup> day of October, 2020.



  
Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF THE  
FINANCIAL EXAMINATION OF

# MISSOURI CHAMBER FEDERATION BENEFIT PLAN

AS OF  
DECEMBER 31, 2019

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO  
August 17, 2020

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

**Missouri Chamber Federation Benefit Plan (NAIC #16235)**

hereinafter referred to as such, as MCF BP, or as the Plan. Its administrative office is located at 428 East Capitol Avenue #100, Jefferson City, Missouri 65101, telephone number 573-634-3511. The fieldwork for this examination began on January 24, 2020, 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 MCF BP. This is the Plan's first examination, which covers the period from its inception in November 2017 through December 31, 2019, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

**Procedures**

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Plan, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Plan's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Plan's financial statements.

All accounts and activities of the Plan were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to MCF BP included Premiums and Underwriting, Claims Handling, Reinsurance, Reserves, and Investments. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) and general information about the Plan and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Plan.

## **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**

MCF BP was initially licensed by the Department on October 27, 2017 and started operations effective November 1, 2017. MCF BP is a Multiple Employer Self-Insured Health Plan (commonly referred to as Multiple Employer Welfare Association or MEWA), operating under provisions of section 376.1000 through 376.1045, RSMo (multiple employer self-insured health plans) providing group purchasing for health and welfare coverage to employer groups that are members of the Missouri Chamber of Commerce and Industry (MCCI) or by extension of the Missouri Chamber Federation (MCF) or Small Business Alliance.

### **Mergers, Acquisitions, and Major Corporate Events**

There were no mergers, acquisitions, or other major corporate events, as applicable, during the examination period.

### **Dividends and Capital Contributions**

The MCCI funded MCF BP with an initial contribution of \$625,000.

There were no dividends paid during the examination period.

### **Surplus Notes**

There were no surplus notes issued or outstanding during the examination period.

## **MANAGEMENT AND CONTROL**

### **Board of Trustees**

The management of the Plan is vested in a Board of Trustees that are elected by the participating employers. The Plan's Bylaws specify that the Board of Trustees shall consist of no less than three, but no more than seven trustees. The Board of Trustees appointed and serving as of December 31, 2019, were as follows:

**Name and Address**

Chuck Bowman  
Columbia, MO

Daniel P. Mehan  
Jefferson City, MO

Ron Fitzwater  
Jefferson City, MO

**Principal Occupation and Business Affiliation**

President  
Missouri Monarch Title Company, Inc.

President, Chief Executive Officer  
Missouri Chamber of Commerce and Industry

Chief Executive Officer  
Missouri Pharmacy Association

**Senior Officers**

The officers elected and serving, as of December 31, 2019, were as follows:

**Name**

Daniel P. Mehan  
Brendan J. Cossette  
Ron Fitzwater  
Chuck Bowman

**Office**

Chairperson  
Plan Administrator  
Treasurer  
Secretary

**Principal Committees**

The Bylaws do not require any committees but do allow for operating committees to be appointed by the Board of Trustees. As of the examination date, no operating committees have been established. On December 19, 2018, the Board determined the entirety of the Board will function as the Audit Committee.

**Corporate Records**

MCF BP is a non-profit Voluntary Employees' Beneficiary Association (VEBA) trust and is governed by a Trust Agreement and Plan Bylaws. The Plan's Trust Agreement and Bylaws were reviewed. There were no revisions to either document during the examination period.

The minutes of the Board of Trustees' meetings were reviewed for proper approval of corporate transactions for the period under examination.

**Holding Company, Subsidiaries, and Affiliates**

MCF BP is registered as a VEBA, non-profit trust under Section 501(c)(9) of the Internal Revenue Code. The Plan is licensed in the State of Missouri as a Multiple Employer Self-Insured Health Plan, commonly referred to as Multiple Employer Welfare Association or MEWA, as defined in section 376.1000 RSMo (Multiple employer self-insured health plan, defined). Accordingly, there is no ownership of the Trust; however, it is governed by its Board of Trustees on behalf of the participating employers in the Trust. The Plan does not have any affiliates or subsidiaries.

### TERRITORY AND PLAN OF OPERATION

MCF BP is licensed and writes business in the state of Missouri only. The Plan offers health insurance coverage to its participating employers across Missouri. Health insurance coverage is provided through Anthem Blue Cross Blue Shield (administered by RightCHOICE Managed Care, Inc.) and THP Insurance Company. Coverage is available to employers with two to fifty employees who are members of the Missouri Chamber of Commerce and Industry.

The Company is managed by a management company pursuant to a Plan Management Agreement, effective June 1, 2017, with Consoliplex – Missouri Benefits, LLC (Consoliplex). Under the agreement, Consoliplex provides MCF BP with the necessary and essential plan management services in exchange for a monthly fee.

### GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Plan's growth for the period under examination:

*(\$000s omitted)*

<b>Year</b>	<b>Total Assets</b>	<b>Net Premiums Earned</b>	<b>Underwriting Gain (Loss)</b>	<b>Net Income (Loss)</b>	<b>Capital and Surplus</b>	<b>Ratio of Net Premiums to Surplus</b>
2017	\$ 990	\$ 34	\$ 7	\$ 9	\$ 659	5.15%
2018	11,917	2,504	618	627	1,186	211.13
2019	10,325	6,346	1,575	1,618	2,817	225.28

The table below summarizes the Plan's total revenues, incurred hospital and medical expenses, and medical loss ratios for the period under examination:

*(\$000s omitted)*

<b>Year</b>	<b>Total Revenues</b>	<b>Total Hospital and Medical Benefits</b>	<b>Medical Loss Ratio</b>
2017	\$ 33,922	\$ 22,694	66.9%
2018	2,504,236	1,836,146	73.3
2019	6,346,013	5,222,922	82.3



## REINSURANCE

### General

The Plan's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

<b>Premium Type</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Direct Premiums Written	\$ 71,518	\$ 27,760	\$ 376
Reinsurance Assumed:			
Affiliates	0	0	0
Non-Affiliates	0	0	0
Reinsurance Ceded:			
Affiliates	0	0	0
Non-Affiliates	65,172	25,255	342
<b>Net Premiums Written</b>	<b>\$ 6,346</b>	<b>\$ 2,504</b>	<b>\$ 34</b>

### Assumed Reinsurance

The Plan did not assume any premiums during the period under examination.

### Ceded Reinsurance

MCF BP was party to a Stop Loss Policy (Policy) with Healthy Alliance Life Insurance Company d/b/a Anthem, with a policy period of June 1 through May 31. The Policy includes three individual coverage types, including Specific Stop Loss, Aggregate Stop Loss, and Quota Share. Under the terms of the Policy, MCF BP receives a 10% share of the net gains or losses resulting from the business during the policy period.

The Plan 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 contract.

## ACCOUNTS AND RECORDS

### Independent Auditor

The certified public accounting (CPA) firm, Maloney + Novotny, LLC of Cleveland, OH, performed the statutory audit of the Plan for the years under examination. Certain workpapers developed by the CPAs were relied upon by the examiners and were incorporated into the examiners' workpapers, including, but not limited to: fraud risk analysis, journal entry testing, internal control narratives, tests of internal controls, and substantive testing.

### Actuarial Opinion

The Plan's actuarial opinion regarding loss reserves, loss adjustment expense reserves, and other actuarial items was issued by John C. Lloyd, FSA, MAAA, for all years in the examination period. Mr. Lloyd is employed by Optum in Duluth, GA.

**Information Systems**

In conjunction with this examination, Kimberly Dobbs, MBA, CFE, AES, CISA, Information Systems Financial Examiner with the Department, conducted a review of the MCF BP's information systems.

**FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Plan with the Department and present the financial condition of MCF BP for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

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

**ASSETS**

As of December 31, 2019

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Cash, Cash Equivalents, and Short-Term Investments	\$ 8,087,792	\$ 0	\$ 8,087,792
Investment Income Due and Accrued	4,657	0	4,657
Premiums Receivable	50,743	0	50,743
Reinsurance:			
Amounts Recoverable from Reinsurers	1,190,607	0	1,190,607
Other Receivable under Reinsurance Contracts	991,234	0	991,234
Aggregate Write-Ins for Other-Than-Invested Assets	87,128	87,128	0
<b>TOTAL ASSETS</b>	<b>\$ 10,412,161</b>	<b>\$ 87,128</b>	<b>\$ 10,325,033</b>

**LIABILITIES, CAPITAL AND SURPLUS**

As of December 31, 2019

Claims Unpaid	\$ 534,213
Unpaid Claims Adjustment Expenses	30,000
General Expenses Due or Accrued	1,241,859
Ceded Reinsurance Premiums Payable	5,702,306
<b>TOTAL LIABILITIES</b>	<b>\$ 7,508,378</b>
Aggregate Write-Ins for Special Surplus Funds	745,221
Gross Paid-In and Contributed Surplus	650,000
Unassigned Funds (Surplus)	1,421,434
<b>TOTAL CAPITAL AND SURPLUS</b>	<b>\$ 2,816,655</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 10,325,033</b>

**STATEMENT OF REVENUE AND EXPENSES**

For the Year Ended December 31, 2019

Net Premium Income	\$ 6,346,013
<b>Total Revenue</b>	<b>\$ 6,346,013</b>
Hospital/Medical Benefits	30,591,925
Other Professional Services	4,673,766
Emergency Room and Out-of-Area	7,223,093
Prescription Drugs	12,883,760
Net Reinsurance Recoveries	(50,149,622)
Claims Adjustment Expenses	591,701
General Administrative Expenses	(1,043,293)
<b>Total Underwriting Deductions</b>	<b>\$ 4,771,330</b>
<b>Net Underwriting Gain (Loss)</b>	<b>\$ 1,574,683</b>
Net Investment Income Earned	43,640
<b>Net Investment Gain (Loss)</b>	<b>\$ 43,640</b>
<b>Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes</b>	<b>\$ 1,618,323</b>
Federal and Foreign Income Taxes Incurred	0
<b>NET INCOME (LOSS)</b>	<b>\$ 1,618,323</b>

**RECONCILIATION OF CAPITAL AND SURPLUS**

Changes from November 1, 2017 to December 31, 2019

	<b>2017</b>		<b>2018</b>		<b>2019</b>
Capital and Surplus, Beginning of Year	\$ 0	\$	658,721	\$	1,185,941
Net Income (Loss)	8,721		626,739		1,618,323
Change in Nonadmitted Assets	0		(99,519)		12,391
Surplus Adjustments:					
Paid In	650,000		0		0
Net Change in Capital and Surplus	658,721		527,220		1,630,714
<b>Capital and Surplus, End of Year</b>	<b>\$ 658,721</b>	<b>\$</b>	<b>1,185,941</b>	<b>\$</b>	<b>2,816,655</b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None

**SUMMARY OF RECOMMENDATIONS**

None

**SUBSEQUENT EVENTS**

On March 11, 2020, The World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, United States President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the United States and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators with the assistance of the NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.


**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Missouri Chamber Federation Benefit Plan during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, James Le, CPA, CFE, ARe, Kim Dobbs, CFE, AES and Lisa Li, CPA, CFE, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

**VERIFICATION**


State of Missouri            )  
  )  
County of Cole                )

I, Marc Peterson, CFE, 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 Missouri Chamber Federation Benefit Plan, 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.

  
\_\_\_\_\_  
Marc Peterson, CFE  
Examiner-In-Charge  
Missouri Department of Commerce and  
Insurance

On this 20<sup>th</sup> day of August, 2020, before me, the undersigned notary, appeared remotely pursuant to Executive Order 20-08 Marc Peterson proved to me through identification documents, and acknowledged to me that he signed the forgoing instrument voluntarily for its stated purpose and acknowledged that he executed the same for the purposes therein contained.

In witness thereof, I hereunto set my signature and official seal.

My commission expires: May 18, 2024   
Notary Public



KIMBERLY LANDERS  
My Commission Expires  
May 18, 2024  
Callaway County  
Commission #12558402

**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 NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



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Levi Nwasoria, CPA, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce and  
Insurance