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 Missouri United School Insurance Council for the period ended December 31, 2021, 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 United School Insurance Council as of December 31, 2021, be and is hereby ADOPTED as filed and for Missouri United School Insurance Council 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 01st day of June, 2023.

Chlora Lindley-Myers, Director
Department of Commerce and Insurance
REPORT OF
FINANCIAL EXAMINATION OF

MISSOURI UNITED SCHOOL
INSURANCE COUNCIL

AS OF
DECEMBER 31, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI
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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 United School Insurance Council (NAIC # 15250)

hereinafter referred to as such, as MUSIC, or as the Company. Its administrative office is located at 12444 Powerscourt Drive, Suite 500, St. Louis, MO 63131; telephone number (314) 800-2220. The fieldwork for this examination began on December 1, 2022, 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 Missouri United School Insurance Council. The last examination of the Company by the Department covered the period of January 1, 2012, through December 31, 2016. The current examination covers the period of January 1, 2017, through December 31, 2021, 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  
MUSIC was formed on December 30, 1985, and organized under Chapter 537 RSMo to provide insurance and risk management services for its members. The Articles of Association limit membership to Missouri public school districts, public community colleges, and entities operated and controlled by these organizations which provide ancillary services.

MUSIC is not a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions) and does not have any subsidiaries or affiliates.
Mergers, Acquisitions, and Major Corporate Events
There were no mergers, acquisitions, or other major corporate events, as applicable, during the examination period.

Assessments
MUSIC’s Articles of Association allows for surplus beyond the funds necessary to meet its financial obligations and reserves to be credited toward future annual assessments. This is done through surplus allocation credits. The Board of Directors did not approve any surplus allocation credits during the examination period.

MANAGEMENT AND CONTROL

Board of Directors
The management of the Company is vested in a Board of Directors that are elected by official representatives of the members. The Company’s By-Laws specify that the Board of Directors shall consist of nine members. Subsequent to the examination period, the By-Laws were amended, increasing the Board to ten members. The Directors elected and serving as of December 31, 2021, were as follows:

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Principal Occupation and Member Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bernard DuBray</td>
<td>Superintendent, Fort Zumwalt R-II School District</td>
</tr>
<tr>
<td>Phillip Cook</td>
<td>Superintendent, Carl Junction R-1 School District</td>
</tr>
<tr>
<td>Jenny Ulrich</td>
<td>Superintendent, Lonedell R-XIV School District</td>
</tr>
<tr>
<td>Todd Galbierz</td>
<td>Vice President, St. Charles Community College</td>
</tr>
<tr>
<td>Chris Wilson</td>
<td>Superintendent, Kennett School District #39</td>
</tr>
<tr>
<td>Tracy Bottoms</td>
<td>Superintendent, Montgomery County R-II School District</td>
</tr>
<tr>
<td>Jeff Blackford</td>
<td>Superintendent, Nodaway-Holt R-VII School District</td>
</tr>
<tr>
<td>Matt Unger</td>
<td>Superintendent, Morgan County R-1 School District</td>
</tr>
<tr>
<td>Ron Orr</td>
<td>Chief Financial Officer, Pattonville School District</td>
</tr>
</tbody>
</table>
Senior Officers
The officers elected and serving, as of December 31, 2021, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Stockwell</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Bernard DuBray</td>
<td>Chairman</td>
</tr>
<tr>
<td>Phillip Cook</td>
<td>Vice-Chairman</td>
</tr>
<tr>
<td>Chris Wilson</td>
<td>Secretary</td>
</tr>
<tr>
<td>Ron Orr</td>
<td>Treasurer</td>
</tr>
</tbody>
</table>

Corporate Records
The Company’s Articles of Association and By-Laws were reviewed. The minutes of the annual meetings and the Board of Directors’ meetings were reviewed for the period under examination.

TERRITORY AND PLAN OF OPERATION
MUSIC is a self-insurance pool designed exclusively for Missouri public school districts, community colleges, and related entities. At year-end 2021, membership consisted of 467 public school districts, 8 community colleges, and 10 other education-related entities. This represents 91% of Missouri public school districts and 67% of Missouri public community colleges.

MUSIC provides coverage to its members through a blanket coverage policy called the “Plan Document” which provides coverage for property, liability, automobile, boiler and machinery, commercial crime, cyber and workers’ compensation. The Company purchases excess insurance above certain self-insured retentions to protect the pool assets from large losses. In addition, MUSIC has implemented multiple loss control activities in an effort to reduce losses.

Under the Missouri public entity pooling laws in Chapter 537 RSMo, the Company is not required to file policy forms or premium rates with the Missouri Department of Commerce and Insurance. Arthur J. Gallagher Risk Management Services, Inc. provides for the overall management of pool operations. Gallagher Bassett Services, Inc. provides claim administration service.

GROWTH OF COMPANY AND LOSS EXPERIENCE
The table below summarizes the Company’s membership, assessments (premiums), claims, and member’s fund balance (net position) for the period under examination:

($000s omitted)

<table>
<thead>
<tr>
<th>Year</th>
<th>Member Participants</th>
<th>Member Assessments</th>
<th>Member Claim Adjustment Expenses</th>
<th>Members’ Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>480</td>
<td>$80,503,416</td>
<td>$55,805,171</td>
<td>$23,210,397</td>
</tr>
<tr>
<td>2018</td>
<td>475</td>
<td>84,589,067</td>
<td>53,540,529</td>
<td>27,765,774</td>
</tr>
<tr>
<td>2019</td>
<td>476</td>
<td>86,677,602</td>
<td>61,249,063</td>
<td>34,942,173</td>
</tr>
<tr>
<td>2020</td>
<td>482</td>
<td>92,629,085</td>
<td>64,269,065</td>
<td>41,310,373</td>
</tr>
<tr>
<td>2021</td>
<td>485</td>
<td>91,614,009</td>
<td>50,849,558</td>
<td>48,317,154</td>
</tr>
</tbody>
</table>
Membership remained steady during the examination period. Favorable loss experience compared to projections resulted in significant growth in members’ fund balance.

REINSURANCE

General
The Company operates as a risk pool and does not have reinsurance in the traditional use of the term. The Company carries excess coverages for all risks shared in the pool above the self-insured retention. The Company’s self-insured retention varies by coverage.

Assumed Reinsurance
The Company does not assume any business.

Ceded Reinsurance
The Company’s excess coverage limits for various types of insurance coverages are summarized in the following table:

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property(^1)</td>
<td>$1,000,000,000 per occurrence</td>
</tr>
<tr>
<td>Crime</td>
<td>$2,000,000 per occurrence</td>
</tr>
<tr>
<td>Treasurer’s bond</td>
<td>$50,000 per occurrence</td>
</tr>
<tr>
<td>Equipment breakdown</td>
<td>$100,000,000 per occurrence</td>
</tr>
<tr>
<td>General liability/auto liability</td>
<td>$3,000,000 per occurrence</td>
</tr>
<tr>
<td>Uninsured/underinsured motorist</td>
<td>$50,000 per person, $100,000 per occurrence</td>
</tr>
<tr>
<td>School board legal liability</td>
<td>$3,000,000 per occurrence</td>
</tr>
<tr>
<td>Worker’s compensation</td>
<td>Statutory limits</td>
</tr>
<tr>
<td>Employer’s liability</td>
<td>$3,000,000 per occurrence</td>
</tr>
<tr>
<td>Errors and omissions</td>
<td>$3,000,000 per occurrence</td>
</tr>
<tr>
<td>Catastrophe Violent Acts</td>
<td>$250,000 per occurrence</td>
</tr>
<tr>
<td>Cyber</td>
<td>$2,000,000 per occurrence</td>
</tr>
<tr>
<td>Pollution</td>
<td>$1,000,000 each incident</td>
</tr>
<tr>
<td>Special Events Liability (as needed)</td>
<td>$1,000,000 per occurrence</td>
</tr>
</tbody>
</table>

\(^1\) Property coverage has sub-limits of $450,000,000 each for earthquake and flood claims per occurrence and annual aggregate across all members.

Due to the extent of reinsurance coverage and limits provided, 36 carriers participated in the reinsurance program for 2021. All reinsurers utilized by MUSIC during 2021 were rated at least “A-” by A.M. Best.

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 contract.
ACCOUNTS AND RECORDS

Independent Auditor
The certified public accounting (CPA) firm, Conner Ash P.C., in St. Louis, MO, performed the financial statement audit of the Company for all years in the examination period. Reliance was placed upon the CPA workpapers as deemed appropriate.

Actuarial Opinion
The Company’s actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Russel L. Sutter, FCAS, MAAA, for all years in the examination period. Russel L. Sutter is employed by Willis Towers Watson in St. Louis, MO.

Information Systems
In conjunction with this examination, Kimberly Dobbs, CFE, AES, Information Systems Financial Examiner with the Department, conducted a review of the Company’s information systems.

FINANCIAL STATEMENTS
The following financial statements are based on the financial statements filed by the Company with the Department and present the financial condition of Missouri United School Insurance Council for the period ending December 31, 2021. 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 Company and noted in the workpapers for each individual key activity.
### ASSETS
As of December 31, 2021

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 90,226,102</td>
</tr>
<tr>
<td>Investments</td>
<td>$ 129,793,096</td>
</tr>
<tr>
<td>Member Assessments Receivable</td>
<td>$ 16,522,959</td>
</tr>
<tr>
<td>Accrued Investment Income</td>
<td>$ 585,998</td>
</tr>
<tr>
<td>Reinsurance Recoverable on Paid Claims</td>
<td>$ 579,309</td>
</tr>
<tr>
<td>Prepaid Expenses and Other Receivables</td>
<td>$ 456,001</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$ 238,163,465</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES AND MEMBERS’ FUND BALANCE
As of December 31, 2021

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unearned Member Assessments</td>
<td>$ 97,146,046</td>
</tr>
<tr>
<td>Claims and Claim Adjustment Expense Reserves</td>
<td>$ 40,000,000</td>
</tr>
<tr>
<td>Liability for Uncleared Checks and Drafts</td>
<td>$ 1,365,517</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>$ 138,511,563</strong></td>
</tr>
<tr>
<td>Claims and Claim Adjustment Expense Reserves – Long Term</td>
<td>$ 51,334,748</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$ 189,846,311</strong></td>
</tr>
</tbody>
</table>

| **MEMBERS’ FUND BALANCE**                                | **$ 48,317,154** |

| **TOTAL LIABILITIES AND MEMBERS’ FUND BALANCE**          | **$ 238,163,465** |
STATEMENT OF INCOME
For the Year Ended December 31, 2021

Revenues:
Members Assessments $91,614,009
Investment Income, Net 3,487,552
Total Revenues $95,101,561

Expenses:
Incurred Claims and Claim Adjusting Expenses $50,849,558
Premiums for Reinsurance Coverage 25,899,963
Insurance Services 5,638,025
General and Administrative 748,043
Premium Taxes 2,207,623
Total Expenses $85,343,212

Net Change in Fair Value of Investments $(2,751,568)

Net Increase (Decrease) in Members’ Fund Balance $7,006,781

RECONCILIATION OF MEMBERS’ FUND BALANCE
Changes from January 1, 2017 to December 31, 2021
($000s omitted)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members’ Fund Balance, Beginning of Year</td>
<td>$27,065</td>
<td>$23,210</td>
<td>$27,766</td>
<td>$34,942</td>
<td>$41,310</td>
</tr>
<tr>
<td>Change in Members’ Fund Balance</td>
<td>(3,855)</td>
<td>4,555</td>
<td>7,176</td>
<td>6,368</td>
<td>7,007</td>
</tr>
<tr>
<td>Members’ Fund Balance, End of Year</td>
<td>$23,210</td>
<td>$27,766</td>
<td>$34,942</td>
<td>$41,310</td>
<td>$48,317</td>
</tr>
</tbody>
</table>
COMMENTS ON FINANCIAL STATEMENT ITEMS
None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION
None.

SUMMARY OF RECOMMENDATIONS
None.

SUBSEQUENT EVENTS
The amended and restated By-Laws were approved and adopted by the Board of Directors at the October 6, 2022, meeting.

At the June 24, 2022, meeting, the Board of Directors approved a 2.2% surplus allocation credit, or approximately $2,500,000 to be applied toward 2023 annual assessments.

The COVID-19 pandemic is ongoing, with uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Missouri United School Insurance Council during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Rebecca Edwards, APIR, examiner for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri )
) ss
County of Cole )

I, Brian D. Hammann, CPA, 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 United School Insurance Council, 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.

Brian D. Hammann, CPA, CFE
Examiner-In-Charge
Missouri Department of Commerce and Insurance

Sworn to and subscribed before me this 27th day of April, 2023.

My commission expires: March 30, 2027

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 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.

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