

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 MIRMA Health for the period ended December 31, 2020, 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.

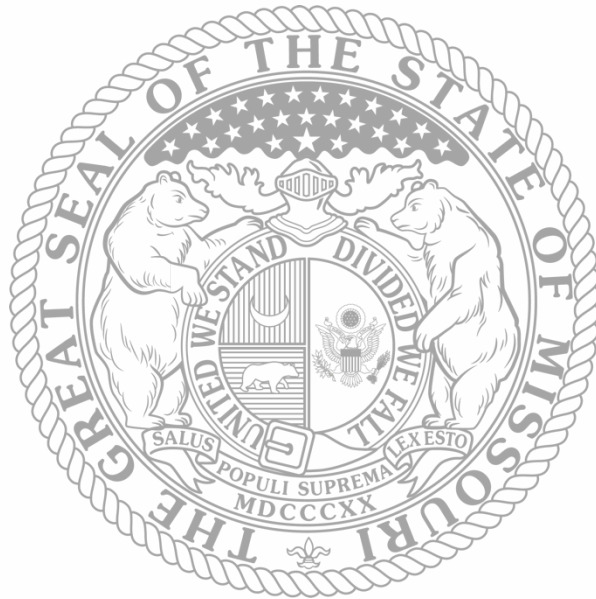
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of MIRMA Health as of December 31, 2020 be and is hereby ADOPTED as filed and for MIRMA Health to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement and verify compliance with each item mentioned in the Comments on the Financial Statement and/or Summary of Recommendations section of such report; and (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 21st day of July, 2022.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

MIRMA HEALTH

AS OF
DECEMBER 31, 2020

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
COMPANY 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.....	3
TERRITORY AND PLAN OF OPERATION.....	4
GROWTH OF COMPANY.....	4
REINSURANCE.....	5
ASSUMED.....	5
CEDED.....	5
ACCOUNTS AND RECORDS.....	5
INDEPENDENT AUDITOR.....	5
EXTERNAL ACTUARY.....	5
FINANCIAL STATEMENTS.....	6
ASSETS.....	7
LIABILITIES AND SURPLUS.....	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, Missouri
May 26, 2022

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

MIRMA Health

hereinafter referred to as MIRMA Health or as the Company. Its administrative office is located at 3002 Falling Leaf Court, Columbia, Missouri, 65201. This examination began on January 11, 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 examination of MIRMA Health. This is the first examination of the Company by the Department and covers the period of October 1, 2019, through December 31, 2020, 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

The Articles of Incorporation and Bylaws do not define supplemental assessments of current members. The ability to collect supplemental assessments, in addition to normal assessments (premiums), is critical if the Company's financial condition would become stressed or impaired in the future. Definitions of the circumstances and procedures for supplemental assessments are needed in either the Articles of Incorporation or Bylaws to ensure that members' obligations are clear and to avoid possible disputes.

COMPANY HISTORY

General

The Company was formed as a non-profit corporation to establish a self-insurance pool that provides health insurance and other benefits for employees of cities and municipal utilities in Missouri. The Company was incorporated on August 22, 2019, and commenced business on October 1, 2019. MIRMA Health operates under the provisions of Sections 537.600 to 537.650 RSMo (Sovereign Immunity).

Dividends and Assessments

MIRMA Health's Articles of Incorporation allow for dividend payments; however, no dividends were declared or paid during the examination period.

The Articles of Incorporation do not have any provisions for supplemental assessments to be collected from members in addition to regular assessments (premiums). The Bylaws only mention that payment of supplemental assessments is an obligation of current members. There are no sections of the Bylaws that define the circumstances that would require supplemental assessments or define the procedures for determining and allocating such assessments among current members.

Mergers and Acquisitions

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

MANAGEMENT AND CONTROL

Board of Directors

The Board of Directors is elected at the annual member meeting. The Bylaws specify that a director must be an official representative from one of the members. Directors are elected in staggered, three year terms. The Company's Bylaws specify that the Board of Directors shall consist of seven members. The following directors were elected and serving, as of December 31, 2020:

Name	Principal Occupation	Political Subdivision
Greg Camp	City Administrator	City of Festus
Tim Lacy	City Clerk	City of Shelbina
Bryan Richison	City Administrator	City of Arnold
Steve Roth	City Administrator	City of Pacific
Heather Russell	City Administrator	City of Centralia
Ivone Smith	City Administrator	City of Malden
Kristin Straatmann	Administrative Assistant	City of Union

Officers

The officers elected and serving, as of December 31, 2020, were as follows:

Officer	Position
Tim Lacy	Chairman
Bryan Richison	Vice Chairman
Heather Russell	Secretary
Steve Roth	Treasurer

The Company also has an Executive Director that is authorized by the Bylaws to supervise and control the day-to-day operations.

Committees

Committees of the Board of Directors that were active during the examination period included an Executive Committee and a Nominating Committee.

Corporate Records

The Company’s Articles of Incorporation and Bylaws were reviewed to determine compliance and the purpose of any amendments. There were no amendments to the Articles of Incorporation or Bylaws during the examination period.

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

Service Providers

The health program that is operated by MIRMA Health originated under a separate entity, Missouri Intergovernmental Risk Management Association (MIRMA). MIRMA operates a self-insurance pool for Missouri cities and municipal utilities that provides coverage for workers’ compensation, property, and casualty risks. From 2015 to 2019, MIRMA also operated a health program until the program was spun off into a separate entity, MIRMA Health, in October 2019. MIRMA employees provide administrative services for the daily operations of MIRMA Health. Below are the agreements between the Company and MIRMA Health, as of December 31, 2020.

- **Administrative Services Agreement** – MIRMA will provide all daily administrative and maintenance services for MIRMA Health, except for those services provided by other entities. MIRMA Health pays a per employee, per month fee to MIRMA based upon the estimated annual costs to provide the services. There is a percentage allocation of the salaries and benefit costs for certain MIRMA employees plus estimates for other administrative services, such as travel expenses, legal fees, and office expenses. The agreement requires a true-up to actual costs twice per year.
- **Borrowing Agreement** – MIRMA agrees to loan MIRMA Health funds, as needed, from October 1, 2019 to December 31, 2022. Any loan balances will accrue interest equal to the monthly yield of MIRMA’s investment portfolio. The Company reported no loans issued or outstanding under this Agreement during the examination period.

Some business functions are outsourced to third parties. Below is a summary of the significant service providers utilized, as of December 31, 2020:

- **East Coast Underwriters** – A managing general underwriter that places the reinsurance coverage for the Company.
- **Milliman, Inc.** – An actuarial firm that provides premium rating services and determines reserves for unpaid claims and loss adjustment expenses.
- **Med-Pay, Inc.** – A third-party administrator that performs claims handling services.
- **ProAct, Inc.** – The pharmacy benefit manager for all enrollees.

Network providers are described in the Territory and Plan of Operation section below.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2020, the Company had 27 members, consisting of 26 cities and 1 municipal utility, that are all located in Missouri. All members combined have approximately 1,100 employees and 1,900 enrollees in the Company's health program. The typical member city is in either a rural area or a small suburban area with an average population size of approximately 5,700. The largest member, City of Arnold, accounted for 13% of total assessments (premiums) for 2020.

The Company's Executive Director is responsible for marketing and attracting prospective entities to apply for membership. The Executive Director also performs underwriting reviews in accordance with established guidelines and ultimately determines if an application for membership should be approved.

MIRMA Health offers preferred provider organization (PPO) plans and high deductible health plans (HDHP) to its members. As of December 31, 2020, there were nine plan options that have different levels of deductibles, coinsurance, and copays. Each member selects the PPO or HDHP plans that their employees may choose during enrollment. Milliman, Inc. determines individual premium rates for each member on an annual basis. Rating factors include age and gender demographics, geographic location, historical claims experience, and prior year rate levels.

The Company utilizes the provider networks of HealthLink, Inc. (HealthLink) and Preferred Health Professionals, LLC (PHP) to provide medical benefits to enrollees. The PHP network covers West-Central and Northwest Missouri while the HealthLink network covers the rest of Missouri. The Company utilizes Multi-Plan, Inc. for an extended network of providers located outside of Missouri.

GROWTH OF COMPANY

The Company had five members as of December 31, 2019, and increased to 27 members, as of December 31, 2020. Net position (surplus) was \$797,344, as of December 31, 2020, in comparison to negative surplus of (\$25,093), as of December 31, 2019. In the year subsequent to the examination period, surplus increased to \$2,709,164, and there were 31 members, as of December 31, 2021.

REINSURANCE

Assumed

The Company does not assume any business.

Ceded

The Company has an excess of loss agreement, effective October 1, 2019, to December 31, 2020, with Gerber Life Insurance Company (Gerber Life). This agreement covers 100% of losses that exceed a \$100,000 deductible per enrollee and also covers \$1,000,000 of aggregate losses that exceed a deductible of \$9,416,837. Subsequent to the examination period, the Company entered into a new excess of loss agreement with Gerber Life, effective January 1, 2021, to December 31, 2021. The 2021 agreement increased the per enrollee deductible to \$150,000, in comparison to the \$100,000 per enrollee deductible for the 2019-20 agreement. The 2021 agreement maintained the aggregate coverage of \$1,000,000 in excess of a deductible of \$12,717,729.

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, Sikich, LLP (Sikich), in St. Louis, Missouri, performed an audit of the Company's December 31, 2020, financial statements. The Company did not obtain an audit for the December 31, 2019, financial statements. Sikich's workpapers for the audit of the December 31, 2020, financial statements were reviewed and used in the course of the examination as deemed appropriate.

External Actuary

The estimate for claim reserves recorded, as of December 31, 2020, was provided by Barbara Dewey, FSA, MAAA, of Milliman, Inc., in San Diego, California.

FINANCIAL STATEMENTS

The following financial statements are based on the financial statements filed by MIRMA Health with the Missouri Department of Commerce and Insurance and present the financial condition of the Company for the period ending December 31, 2020. 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 December 31, 2020

Cash and Cash Equivalents	\$2,529,649
Accounts Receivable	<u>494,491</u>
TOTAL ASSETS	<u>\$3,024,140</u>

LIABILITIES AND SURPLUS
as of December 31, 2020

Claim Reserves	\$2,081,656
Accounts Payable	100,011
Unearned Member Assessments	<u>45,128</u>
TOTAL LIABILITIES	<u>\$2,226,795</u>
NET POSITION (SURPLUS)	<u>\$ 797,345</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$3,024,140</u>

STATEMENT OF REVENUES AND EXPENSES
For the Year Ended December 31, 2020

Member Assessments	\$12,293,101
Other Revenues	271,039
Interest Income	<u>6,555</u>
Total Revenues	\$12,570,695
Claims Incurred	\$9,300,487
Reinsurance Premiums	1,790,849
Insurance Services	356,245
General and Administrative Expenses	299,569
Taxes and Fees	<u>1,108</u>
Total Expenses	\$11,748,258
NET INCOME	<u>\$ 822,437</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

Supplemental Assessments (page 3)

The Company should amend either the Articles of Incorporation or Bylaws to clearly allow for supplemental assessments to be levied against current members, if necessary. Such amendment should provide definitions of the circumstances requiring a supplemental assessment and the procedures and basis for allocating the assessments, such as a pro rata obligation based upon each member's annual billed premiums.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2020, through the date of the report.

ACKNOWLEDGMENT

The assistance and cooperation extended by MIRMA Health 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 MIRMA Health, 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 L. Tunks

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

Sworn to and subscribed before me this 30th day of June, 2022.

My commission expires: March 30, 2023 Hailey Lubbert
Notary Public



HAILEY LUBBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366

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 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

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