



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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, 2017, 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 Insurance, Financial Institutions and Professional Registration 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 findings, subsequent events, history, management and control, territory and plan of operations, reinsurance, financial statements, financial statement changes resulting from examination, comments on financial statement items, 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, 2017 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 04th day of March, 2019.



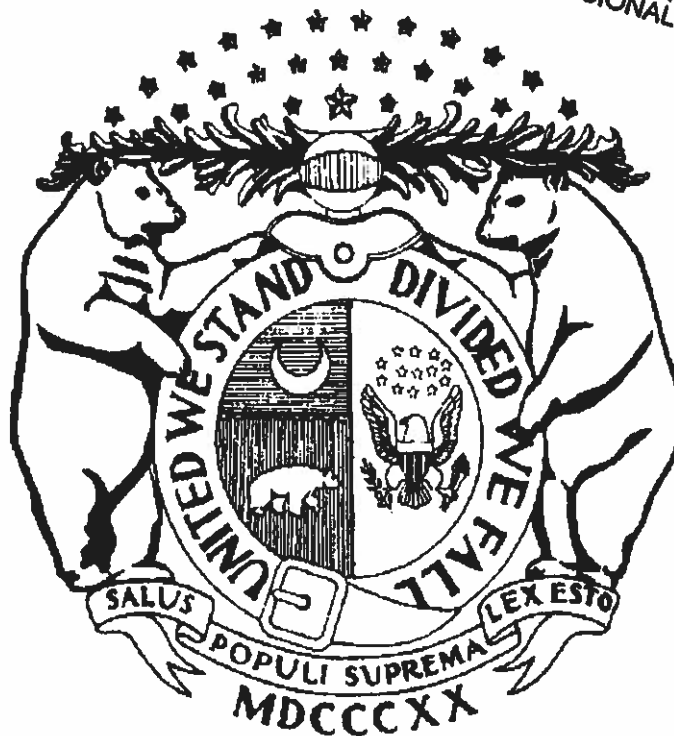
Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

**REPORT OF THE
FINANCIAL EXAMINATION OF
Self Insurance Pool of Greater Kansas City, Inc.**

**AS OF
June 30, 2017**

FILED
MAR 16 2019
**DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION**



**STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI**

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Kansas City, Missouri
November 9, 2018

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Director Lindley-Myers:

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

Self Insurance Pool of Greater Kansas City, Inc.

hereinafter referred to as such, as SIPGKC, or as the Pool. Its principal office is located at 3444 Broadway, Suite 401, Kansas City, Missouri 64111. The fieldwork for this examination began on July 17, 2018 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of SIPGKC. This is the Pool's first financial examination and covers the period of August 15, 2012 through June 30, 2017. This examination also includes the material transactions and/or events occurring subsequent to the examination date which are noted in this report.

Procedures

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook) except where practices, procedures, and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and 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 Pool and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Pool's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Pool were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management. 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 financial statements.

This examination report includes significant findings of fact and general information about SIPGKC and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or to SIPGKC.

Reliance Upon Others

The examination relied heavily upon information provided by SIPGKC and its management. Where the examiners have deemed appropriate, this information has been tested or verified with external sources. The examiners also relied upon information supplied by the Pool’s independent auditor, Williams Keepers, LLC of Columbia, Missouri for its audit covering the period from July 1, 2016 through June 30, 2017.

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.

SUBSEQUENT EVENTS

On September 20, 2017, Lone Jack C-6 school district sent a request to withdrawal from the Pool effective June 30, 2018. The Board of Directors approved the request on June 7, 2018. All remaining claims will be paid by the Lone Jack C-6 school district and will not be passed on to other members.

HISTORY

General

SIPGKC was originally incorporated on August 30, 2012 as the Cooperating School Districts of Greater Kansas City Self-Insurance Pool, Inc. under the provisions of Chapter 537 Revised Statutes of Missouri (RSMo.) (Risk Management for Public Entities). On August 15, 2012, the DIFP issued the Pool a Certificate of Authority to operate as an assessable political subdivision plan pursuant to Sections 537.630 through 537.650, RSMo. (Political Subdivision Assessable).

The Pool changed its name to Self Insurance Pool of Greater Kansas City, Inc., effective May 25, 2017.

Contribution Refunds

As a member-owned pool, SIPGKC does not have stockholders to whom it might pay dividends; however, SIPGKC can, as circumstances warrant, pay contribution refunds to its members. No such refunds were paid to members during the examination period.

Mergers and Acquisitions

The Pool did not participate in any mergers or acquisitions during the examination period.

MANAGEMENT AND CONTROL

Board of Directors and Officers

Members of the Pool consist of elementary and secondary education institutions that receive public funding from the State of Missouri or any other governmental source, and are located in the greater Kansas City metropolitan area. New members must be approved by the majority of the then current members, in accordance with such other terms and procedures as are set forth in the Pool’s Bylaws.

As authorized in its Bylaws, the Pool is governed by a Board of Directors with one Director being designated by each member. The Superintendent of each member school district shall serve as the member designee unless the Superintendent designates another officer to serve as Director. The Bylaws state the Board of Directors shall elect a President, Vice President, Secretary and Treasurer from its membership. The Board of Directors and officers as of June 30, 2017 were:

<u>Name</u>	<u>District</u>	<u>Officer Position</u>
Wayne Krueger	Smithville R-II	President
Bryan Prewitt	Lone Jack C-6	Secretary
Yolanda Cargile	Hickman Mills	Treasurer
Marc Snow	Grain Valley R-V	Vice President
Shawn Roderick	Blue Springs R-IV	

The Bylaws also authorized the formation of an Executive Committee consisting of officers of the Pool. The Executive Committee is empowered to conduct those Pool operations and activities that do not require action by the entire Board of Directors. As of June 30, 2017, no Executive Committee has been formed.

Corporate Records

The Articles of Incorporation and Bylaws were amended on May 25, 2017 to reflect the name change from Cooperating School Districts of Greater Kansas City Self-Insurance Pool, Inc. to Self Insurance Pool of Greater Kansas City, Inc.

The minutes of the Board of Directors' meetings were reviewed for proper approval of transactions. The Board of Directors normally holds meetings every quarter with additional meetings held throughout the year as needed. In general, the minutes appear to properly reflect and document approval of SIPGKC's major transactions and events for the period under examination.

Holding Company, Subsidiaries and Affiliates

SIPGKC is member-owned and organized under the provisions of Section 537.620 - 537.650 RSMo and as such is not subject to the provisions of Chapter 382 RSMo (Insurance Holding Companies).

Service Providers

All services for the Pool are provided through contracts with third parties. The major third party service contracts are:

1. Type: Management Agreement
 Provider: Cooperating Plan Management, Inc. (CPM)
 Effective: Effective July 1, 2012 and renewable every three years.
 Terms: CPM agrees to provide consulting and administrative services for the Pool's establishment, supervision, maintenance and day-to-day operations. CPM also operates wellness centers, providing urgent care and clinic services for Pool participants. CPM is paid a monthly fee based on total participants in the Pool. For fiscal year 2017, the monthly fee was \$10.50 per participant. Expenses associated with the operations of the wellness centers are reimbursed to CPM at cost. During fiscal year 2017, CPM was paid \$424,631 in management fees and \$453,474 in wellness center reimbursements under the agreement.

2. Type: Administrative Services Only (ASO) Agreement
 Provider: Cigna Health and Life Insurance Company (Cigna)
 Effective: Effective July 1, 2012 and amended annually on the anniversary date.
 Terms: Cigna agrees to process claims on behalf of the Pool, and collect per member per month fees based on the covered insured medical plan. Cigna is paid a monthly fee for each insured based on type of coverage. For fiscal year 2017, the monthly fee for medical coverage ranged between \$24.09 and \$27.65 and the monthly fee for dental coverage was \$2.61. During fiscal year 2017, Cigna was paid \$997,987 under the terms of the agreement. In addition to the ASO Agreement, The Pool also has a Stop-Loss Reinsurance Agreement with Cigna. This agreement is discussed in detail in the Reinsurance section of this report.

3. Type: Service Agreement
Provider: Mercer Health & Benefits LLC (Mercer)
Effective: January 31, 2012 and renewed annually on the anniversary date.
Terms: Mercer agrees to provide actuarial and stop loss insurance coverage placement services in exchange for a monthly service fee based on total participants in the Pool. For fiscal year 2017, the monthly fee was \$1.25 per participant for the medical and dental plans. Mercer also charges a commission of 10.0% of stop-loss premium that SIPGKC pays to Cigna. The monthly fees are guaranteed for two years if the covered employee base as of July 1, 2016 increases or decreases by no more than 15%. During fiscal year 2017, Mercer was paid \$57,054 under the terms of the agreement.

4. Type: Service Agreement
Provider: Haynes Benefits PC (Haynes)
Effective: July 1, 2012 and is renewed annually.
Terms: Haynes provides advice and counsel services to the Pool for a monthly retainer fee of \$1,500. Additional services beyond the scope of the retainer will be provided if required for extra charges. During fiscal year 2017, Haynes was paid \$16,500 under the terms of the agreement.

TERRITORY AND PLAN OF OPERATIONS

SIPGKC is licensed by the DIFP under the provisions of Section 537.620 RSMo and operates as a non-profit self-insured pool, providing health and dental insurance coverages to the employees, their eligible dependents and retirees of its member school districts. As of June 30, 2017, the members consisted of five Missouri public school districts:

Blue Springs R-IV	Grain Valley R-V
Smithville R-II	Lone Jack C-6
Hickman Mills	

Insurance coverages are provided and administered by Cigna under the ASO Agreement discussed in the Service Providers section of this report. The Pool had approximately 3,370 active and retired participants as of June 30, 2017.

REINSURANCE

General

SIPGKC's reinsurance program is limited and straightforward. The Pool carries excess coverages for all risks shared in the pool.

Premium activity for the years under examination are as follows:

	2017	2016	2015	2014	2013
Direct Business	\$28,664,745	\$27,815,714	\$19,229,171	\$14,594,667	\$14,709,056
Reinsurance Ceded	1,401,229	1,249,134	890,400	857,749	794,165
Net Premiums Written	<u>\$27,263,516</u>	<u>\$26,566,580</u>	<u>\$18,338,771</u>	<u>\$13,736,918</u>	<u>\$13,914,891</u>

Assumed

SIPGKC does not assume any business.

Ceded

The Pool has health and dental coverage under an Stop-Loss Reinsurance Agreement through Cigna, pursuant to which Cigna reimburses losses over \$275,000. Cigna's maximum liability is subject to sub-limits based on the covered policyholder's benefit plan. Cigna receives a monthly premium of \$34.66 for each covered employee.

The Pool is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that any assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Pool.

FINANCIAL STATEMENTS

The following financial statements are based on the annual financial statements filed by the Pool to the DIFP and present the financial condition of the Pool for the period ending June 30, 2017. The accompanying comments on the financial statements reflect any examination adjustments to the amounts reported in the annual financial report 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." These differences were determined to be immaterial concerning their effect on the financial statements and therefore were only communicated to the Pool and noted in the workpapers for each individual activity.

Assets

Cash and cash equivalents	\$ 1,483,678
Assessment receivable	2,856,084
Pharmacy rebate receivable	258,007
Stop loss receivable	132,288
Prepaid assets	26,408
TOTAL ASSETS	\$ 4,756,465

Liabilities and Net Position

Insurance payable	\$ 198,947
Allow for unsettled/unprocessed claims	2,000,000
Unearned premium	2,557,518
TOTAL LIABILITIES	\$ 4,756,465
NET POSITION	-0-
TOTAL LIABILITIES AND NET ASSETS	\$ 4,756,465

Statement of Activities

OPERATING REVENUES	
Premium contributions	\$ 25,203,160
Wellness center reimbursement	31,568
Pharmaceutical rebates	899,019
Other employer contributions	3,461,585
TOTAL REVENUES	29,595,332
OPERATING EXPENSES	
Claims and claims adjustments	28,355,344
Cost of clinic	526,905
Transitional insurance fees	108,545
Professional fees	74,786
Consulting services	63,339
Insurance expenses	39,972
Management fees	424,631
Other expenses	1,810
TOTAL OPERATING EXPENSES	29,595,332
CHANGE IN NET POSITION	\$ -0-

Net Position Account

Net assets, June 30, 2016	\$ -0-
Change in net position	-0-
NET POSITION, JUNE 30, 2017	\$ -0-

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

SUMMARY OF RECOMMENDATIONS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Self Insurance Pool of Greater Kansas City, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Lisa Li, CPA, CFE, Financial Examiner for the DIFP, participated in this examination.

VERIFICATION

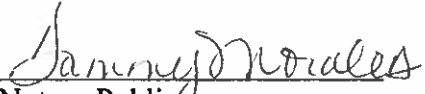
State of Missouri)
County of Jackson)

I, Mark A. Nance, CFE, CPA, 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.



Mark A. Nance, CFE, CPA
Senior Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 13th day of December, 2018.

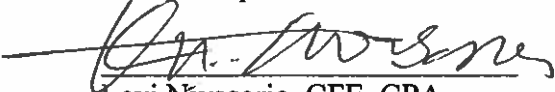
My commission expires: 01/07/2022 
Notary Public



TAMMY MORALES
My Commission Expires
January 7, 2022
Clay County
Commission #14461088

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 DIFP and statutes of the State of Missouri prevailed.



Levi Nwasoria, CFE, CPA
Audit Manager
Missouri Department of Insurance, Financial
Institutions and Professional Registration