

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, 2018, 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 findings, history, corporate records, management and control, territory and plan of operation, reinsurance, accounts and records, financial statements, comments on financial statements, subsequent events and general comments and/or recommendations.

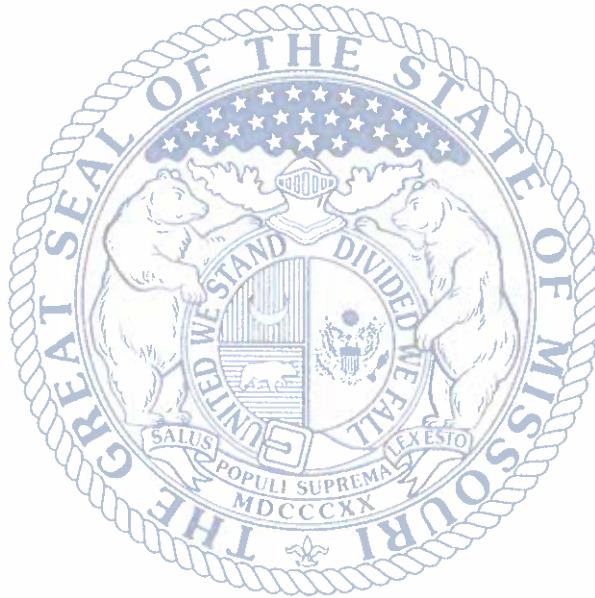
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of CSD Insurance Pool, Inc. as of June 30, 2018 be and is hereby ADOPTED as filed and for CSD Insurance Pool, Inc. to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement and verify compliance with each item mentioned in the comments on the financial statement and general comments and/or recommendations sections 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 03rd day of March, 2020.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



FILED

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DIRECTOR OF
MISSOURI DEPARTMENT OF
COMMERCE AND INSURANCE

REPORT OF
FINANCIAL EXAMINATION OF

CSD INSURANCE POOL, INC.

AS OF
JUNE 30, 2018

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January 13, 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 comprehensive financial examination has been made of the records, affairs and financial condition of

CSD Insurance Pool, Inc.

hereinafter referred to as such or as the "Pool." The Pool's main office is located at 613 Big Bend Road, #688, Manchester, MO 63021; telephone number (314) 974-1089. This examination began on August 22, 2019, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We performed a single-state examination of CSD Insurance Pool, Inc. (NAIC #15332). This is the first examination of the Pool since its incorporation in 2013. This examination covers the period from October 31, 2013, through June 30, 2018. This examination also includes material transactions or events occurring subsequent to June 30, 2018.

Procedures

We conducted the 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 of Commerce and Insurance (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 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 an insurer's surplus to be materially misstated both currently and prospectively.

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 Company's financial statements. Key activities identified were Cash and Cash Equivalents, Investments, Premiums Receivable, Claims and Benefits Payable, and Unearned Revenue.

SUMMARY OF SIGNIFICANT FINDINGS

Assets consisting of cash, cash equivalents and investments are titled in the name of CSD Insurance Trust instead of being titled in the name of the Pool, which is the regulated insurance entity.

HISTORY

General

CSD Insurance Trust was established October 1, 1991, to allow participating public education institutions to purchase employee health insurance coverage on a group basis. In order to allow participating institutions to offer employee health insurance coverage on a self-insured basis, in 2013, CSD Insurance Trust established CSD Insurance Pool, Inc. The Missouri Department of Commerce and Insurance licensed CSD Insurance Pool, Inc. as a political subdivision assessable entity under Sections 537.600—537.650 RSMo (Sovereign Immunity) effective October 31, 2013.

Initial Participants

The following institutions comprised the Pool's initial participating employers:

Bayless School District	Better Learning Communities Academy	Brentwood Public Schools
Cooperating School Districts of St. Louis	Crystal City Public Schools	Franklin County R-2 School District
Hancock Place School District	Hazelwood School District	Jennings School District
Lonedell R-14 School District	Maplewood-Richmond Heights School District	Meramec Valley R-3 School District
Normandy School District	Pattonville School District	Ritenour School District
Riverview Gardens School District	Spring Bluff R-15 School District	Strain-Japan R-16 School District
Union R-XI School District	VICC	Warren County R-3 School District
Webster Groves School District	Wentzville School District	Windsor School District
Wright City R-2 School District		

Member Credits

The Pool began issuing member credits in 2015, after having determined that it had sufficient funds to cover its actuarial liabilities (claims and claims adjustment expenses). Member credits are refunds based on the Pool’s Net Position which require the approval of the Advisory Committee. During the current examination period, the Pool issued the following member credits.

<u>Year</u>	<u>Amount</u>
2015	\$2,751,300
2016	2,213,000
2017	4,490,376
2018	0
Total	<u>\$9,454,676</u>

CORPORATE RECORDS

The Pool’s Articles of Incorporation and Bylaws were reviewed. There were no changes to the Articles of Incorporation or the Bylaws during the current examination period.

The minutes of the Advisory Committee meetings were reviewed. The minutes appear to support the approval of major corporate transactions and events during the current examination period.

The minutes of the Board of Trustees meetings were also reviewed. The minutes appear to support the approval of major corporate transactions and events during the current examination period.

MANAGEMENT AND CONTROL

Board of Trustees

The Pool is governed by a three-member Board of Trustees, appointed by the Advisory Committee. Trustees serving at June 30, 2018, were as follows:

<u>Trustee</u>	<u>Participant</u>
John Stewart, Chair	Brentwood School District
Dwight Lindhorst	Ritenour School District
Pam Frazier	Wentzville School District4

Advisory Committee

The Advisory Committee consists of one representative from each participating school or district, which are appointed by their respective school or district superintendent. At June 30, 2018, the Advisory Committee included representatives from the following members:

Affton School District	Ritenour School District
Bayless School District	Riverview Gardens School District
Brentwood Public Schools	Silex School District
Carondelet Leadership Academy	Spring Bluff School R-15 School District

CSD/EdPlus	Strain-Japan R-16 School District
Crystal City School District	The Arch Community School
Franklin County R2 School District	The Biome
Hancock Place School District	Union R-XI School District
Hazelwood School District	Warren County R-III School District
Jennings School District	Webster Groves School District
Lafayette Prep Academy	Wentzville School District
Lift for Life Academy	Windsor School District
Maplewood Richmond Heights School District	Wright City R-II School District
Meramec Valley R-3 School District	

The Chair of the Board of Trustees (Board Chair) serves as the chief executive officer of the Pool. The Board Chair is responsible for supervising the operation and administration of the Pool and the Trust, executing instructions of the Board of Trustees and of any committees, and presiding over all meetings of the Board or of any committees. The Advisory Committee appoints the Board Chair.

TERRITORY AND PLAN OF OPERATIONS

The Pool is licensed in Missouri under Sections 537.620—537.650 RSMo (Self-Insured Political Subdivision Association). Membership in the Pool is open to the following types of public education institutions in the state of Missouri: public school districts, charter schools organized under Section 160.400 RSMo (Charter schools defined...), and other educational institutions which qualify as political subdivisions under Missouri law. Members of the Pool are primarily located in the Greater St. Louis Metropolitan Area. As of June 30, 2018, there were twenty-seven members of the Pool, covering approximately ten thousand enrollees.

The Pool offers two classes of membership, Class A and Class B. Class A members may offer their employees one or more of the Pool's group medical plans. Class A members may not self-insure medical benefits programs. Class B members may offer their employees one or more of the Pool's benefit programs other than the medical plans reserved to Class A members. Class B members self-insure their medical benefits programs. Members of both classes are divided into sub-classes for rating purposes. Three-year average loss ratios are used to determine each member's pricing.

In addition to group medical coverage, the Pool offers fully-insured products for dental, vision, life, AD&D, disability and critical illness coverage. The Pool also offers self-insured products for dental and vision along with health reimbursement accounts and medical and dependent care flexible spending accounts.

The Pool contracts with insurers to provide coverage and administer self-insured programs: Anthem Blue Cross Blue Shield for medical; Delta Dental for dental; Anthem Blue Vision for vision; and Cigna for life and AD&D insurance. The Pool also contracts with Mercer Health and Benefits Administration, LLC to manage its operations. Additionally, the Pool employs a general manager to oversee operations.

REINSURANCE

The Pool uses stop-loss reinsurance to limit the exposure of its self-insured members to catastrophic loss. Anthem Blue Cross Blue Shield provides coverage for losses in excess of the stop-loss limit. Self-insured members are responsible for losses up to the stop-loss limit (retention). The following per-member per-year retention amounts have been in place over the examination period.

<u>Year</u>	<u>Retention</u>
2013	\$350,000
2014	\$400,000
2015	\$500,000
2016	\$500,000
2017	\$550,000
2018	\$550,000

ACCOUNTS AND RECORDS

Independent Accountant

For the period under examination, the Pool's financial statements were audited by RubinBrown LLP (RubinBrown), a certified public accounting firm. RubinBrown's 2018 audit workpapers were reviewed and used in the course of the examination as deemed appropriate.

Actuarial Opinion

On August 24, 2018, Brad Cornish, FSA, of Mercer Health and Benefits, LLC, provided actuarial certification of the unpaid claims liability reported at June 30, 2018.

FINANCIAL STATEMENTS

The following financial statements are based on the financial statements filed by the Pool with the Department and present the financial condition of the Pool for the period ending June 30, 2018. Pool management is responsible for the preparation and presentation of these financial statements. 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 Annual Statement.

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

ASSETS
As of June 30, 2018

Cash and cash equivalents	\$ 11,584,002
Premiums and contributions receivable	1,766,644
Prepaid expenses	49,488
Investments	<u>15,602,089</u>
Total Assets	<u>\$ 29,002,223</u>

LIABILITIES AND NET POSITION
As of June 30, 2018

Claims and benefits payable	\$ 11,632,468
Unearned revenue	<u>822,645</u>
Total Liabilities	<u>\$ 12,455,113</u>
Net Position	<u>\$ 16,547,110</u>
Total Liabilities and Net Position	<u>\$ 29,002,223</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

Direct contributions and insurance premiums	\$ 88,144,475
Administrative fees	410,779
Miscellaneous	<u>88,441</u>
Total Operating Revenues	<u>\$ 88,643,695</u>
Claims, claims administration and premiums	94,860,479
Taxes and fees	31,495
Contracted services	180,271
Office supplies	1,773
Travel	6,131
Utilities	360
Insurance	124,611
Miscellaneous	<u>255,025</u>
Total Operating Expenses	<u>\$ 95,460,145</u>
Operating Loss	(6,816,450)
Investment income	<u>479,258</u>
Change in Net Position	<u>\$ (6,337,192)</u>

RECONCILIATION OF SURPLUS (NET POSITION)

Changes from July 1, 2013 to June 30, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net Position, beginning of year	\$ 21,369,296	\$ 28,522,621	\$ 26,601,136	\$ 27,349,527	\$ 22,884,302
Net operating income/(loss)	6,988,161	776,472	2,675,635	(2,519,021)	(6,816,450)
Investment income	165,164	53,343	285,756	1,006,172	479,258
Membership credits	<u>-</u>	<u>(2,751,300)</u>	<u>(2,213,000)</u>	<u>(4,490,376)</u>	<u>-</u>
Change in Net Position	7,153,325	(1,921,485)	748,391	(6,003,225)	(6,337,192)
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,538,000</u>	<u>-</u>
Net Position, end of year	<u>\$ 28,522,621</u>	<u>\$ 26,601,136</u>	<u>\$ 27,349,527</u>	<u>\$ 22,884,302</u>	<u>\$ 16,547,110</u>

COMMENTS ON FINANCIAL STATEMENTS

None.

SUBSEQUENT EVENTS

On July 1, 2019, Willis Towers Watson and Empyrean Benefit Solutions, Inc. (Empyrean) replaced Mercer Health and Benefits Administration, LLC as consultants/administrators. Willis Towers Watson provides consulting, advisory and brokerage services. Empyrean provides enrollment and benefit administration software.

GENERAL COMMENTS OR RECOMMENDATIONS

The Pool should take immediate action to transfer assets consisting of cash, cash equivalents and investments so that the assets are titled in the name of CSD Insurance Pool, Inc. rather than CSD Insurance Trust.

ACKNOWLEDGMENT

The assistance and cooperation extended by the manager of CSD Insurance Pool, Inc. during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
City of St. Louis)

I, Thomas J. Cunningham, 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 the Pool, 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.



Thomas J. Cunningham, CFE, CPA
Examiner-in-Charge
Missouri Department of Commerce and Insurance

Sworn to and subscribed before me this 28th day of January 2020

My commission expires:

11/18/2022



Notary Public

SHAWN DAVIS PILAND
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis City
My Commission Expires: November 18, 2022
Commission Number: 18161386

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 applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri has been confirmed.



Michael Shadowens, CFE
Assistant Chief Examiner, St. Louis
Missouri Department of Commerce and Insurance