

**Report on Examination**

**of**

**Independent Colleges and Universities  
Benefits Association, Inc.**

**Orlando, Florida**

**as of**

**March 31, 2010**

**By The**

**Florida Office of Insurance Regulation**

Kevin M. McCarty, Commissioner  
Florida Office of Insurance Regulation  
200 E. Gaines Street  
Tallahassee, Florida 32399-0305

Dear Sir:

In accordance with Section 624.44, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of Independent Colleges and Universities Benefits Association, Inc. as of March 31, 2010. Our report on the examination follows.

Florida Office of Insurance Regulation  
June 14, 2011

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## SCOPE OF EXAMINATION

We have completed a financial condition examination as of March 31, 2010 of Independent Colleges and Universities Benefits Association, Inc. (the "Association"), a Florida multiple-employer welfare arrangement. The last financial condition examination of the Association by the Florida Office of Insurance Regulation (the "Office") was as of March 31, 2007.

This examination covered the period of April 1, 2007 through March 31, 2010. We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook required that we plan and perform our examination to evaluate the financial condition and identify prospective risks of the Association. It required that we do so by obtaining information about the Association including corporate governance, identifying and assessing inherent risks within the Association, and evaluating system controls and procedures used to mitigate those risks. Our examination included assessing the principles used and significant estimates made by management. It also included evaluating overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions when applicable to domestic state regulations. All accounts and activities of the Association were considered in accordance with the risk-focused examination process.

The Association's administrative office was in Orlando, Florida, where this examination was conducted.

## HISTORY

The Association was incorporated in Florida on November 4, 2002. It received its certificate of authority from the Office on March 14, 2003 pursuant to Consent Order 66421-03-CO, and commenced operations on April 1, 2003. The Association was authorized by the State of Florida to operate as a multiple-employer welfare arrangement in accordance with Section 624.437, Florida Statutes (F.S.).

### Membership

The Association was organized as a corporation not for profit pursuant to Chapter 617, F.S. Its membership was open to Florida private, not-for-profit educational institutions. As of March 31, 2010, it had one class of membership whereby each educational facility participated in accordance with the Association's articles of incorporation. Each member was entitled to one vote per participant (eligible enrolled employee), except that no one member's percentage of total votes could exceed 35%. Nova Southeastern University maintained the maximum voting rights. Subsequent to March 31, 2010, the Association created an associate membership classification for private Florida primary and secondary education employers.

## CORPORATE RECORDS

The recorded minutes of the Board of Directors and Audit/Finance Committee meetings were reviewed for the period examined. The recorded minutes of the Board adequately documented its meetings and approval of Association transactions in accordance with Section 617.1601, F.S., including the authorization of investments as required by Section 625.304, F.S.

## MANAGEMENT AND CONTROL

The Association's senior officers, directors, members, and members of the Executive, Audit/Finance and Appeals Committees were as shown below.

### Senior Officers

Name	Title
Donna B. Popovich	Chairperson
Randy T. Livingston	Vice Chairperson
Francis M. Mezzanini	Treasurer
D. Bruce Edwards	Secretary
Mark S. Weinstein	Executive Director

### Board of Directors

Director	Member	Location
Jack Armul	Florida Institute of Technology	Melbourne, Florida
Kimberly Baggett	Beacon College	Leesburg, Florida
D. Bruce Edwards	Barry University	Miami Shores, Florida
W. David Heron	Nova Southeastern University	Ft. Lauderdale, Florida
Mona L. Hicks	Palm Beach Atlantic University	West Palm Beach, Florida
Randy T. Livingston	Clearwater Christian College	Clearwater, Florida
Maria J. Martinez	Rollins College	Winter Park, Florida
Francis M. Mezzanini	Saint Leo University	Saint Leo, Florida
Donna B. Popovich	The University of Tampa	Tampa, Florida
Michael Q. Rogers	Edward Waters College	Jacksonville, Florida
Tony Valentine	Florida Memorial University	Miami Gardens, Florida
Elizabeth Zamerski	Saint Edward's School	Vero Beach, Florida

#### Executive Committee

D. Bruce Edwards  
Randy T. Livingston  
Francis M. Mezzanini  
Donna B. Popovich

#### Audit/Finance Committee

Jack Armul  
D. Bruce Edwards  
Randy T. Livingston  
Francis M. Mezzanini

#### Appeals Committee

Mona L. Hicks  
Randy T. Livingston  
Francis M. Mezzanini

## FIDELITY BONDS AND OTHER INSURANCE

The Association maintained crime and fiduciary liability insurance which included coverage for employee theft losses up to \$500,000.

## PENSION AND INSURANCE PLANS

The Association provided a variety of benefits to eligible employees including group life, health, long-term disability and dental insurance, an employee assistance program, educational assistance, and a Section 401(k) retirement plan.

## TERRITORY AND PLAN OF OPERATION

The Association provided health benefits to employees of its members and their beneficiaries. It also provided administrative services and arranged for fully-insured products to be provided to the members. The Association received contributions from its members from which claims were paid.

## GROWTH

The Association reported the following for years ending March 31, 2008, March 31, 2009 and March 31, 2010:

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Year-end members	11,075	12,840	12,176
In millions:			
Premiums	\$ 37.6	\$ 43.8	\$ 49.0
Total revenues	\$ 38.1	\$ 44.4	\$ 49.7
Net income (loss)	\$ (2.4)	\$ 0.4	\$ (2.0)
Fund balance	\$ 3.7	\$ 4.1	\$ 2.0

## SURPLUS NOTES

The Association was obligated for a total of \$8,201,695 in 5% surplus notes to the following educational institutions:

<u>Holder</u>	<u>Amount</u>
Clearwater Christian College	\$ 84,735
Edward Waters College	78,179
Florida Institute of Technology	625,353
Nova Southeastern University	5,197,767
Palm Beach Atlantic University	266,296
Rollins College	721,958
Saint Leo University	528,883
Southeastern University	15,198
The University of Tampa	683,326
	<u>\$ 8,201,695</u>

The notes were approved by the Association's board of directors and the Office. In accordance with Section 624.4361(2), F.S., the debt was included in the Association's fund balance.

## REINSURANCE

The Association maintained excess of loss reinsurance with various reinsurers. The reinsurance provided coverage for 100% of health care and pharmaceutical services in excess of \$150,000 for specific losses up to a lifetime limit of \$1,850,000 per member.

## STATUTORY DEPOSITS

The Association maintained an insolvency protection deposit with the Office in the amount of \$1,000,000 in compliance with Section 624.441, F.S.

**Independent Colleges and Universities Benefits Association, Inc.**

**Assets  
March 31, 2010**

	Per Association	Examination Adjustments	Per Examination
Cash, cash equivalents and short-term investments	\$ 13,263,473	\$ -	\$ 13,263,473
Uncollected premiums and agents' balances	201,855	-	201,855
Amounts recoverable from reinsurers	427,972	-	427,972
Health care and other amounts receivable	815,508	-	815,508
<b>Total assets</b>	<b>\$ 14,708,808</b>	<b>\$ -</b>	<b>\$ 14,708,808</b>

**Independent Colleges and Universities Benefits Association, Inc.**  
**Liabilities and Fund Balance**  
**March 31, 2010**

Liabilities	Per Association	Examination Adjustments	Per Examination
Claims unpaid	\$ 4,973,622	\$ -	\$ 4,973,622
Unpaid claims adjustment expenses	40,000	-	40,000
General expenses due or accrued	15,881	-	15,881
Amounts withheld for others	7,636,148	-	7,636,148
<b>Total liabilities</b>	<b>12,665,651</b>	<b>-</b>	<b>12,665,651</b>
<b>Fund Balance</b>			
Surplus notes	8,201,695	-	8,201,695
Unassigned funds (deficit)	(6,158,538)	-	(6,158,538)
<b>Total fund balance</b>	<b>2,043,157</b>	<b>-</b>	<b>2,043,157</b>
<b>Total liabilities and fund balance</b>	<b>\$ 14,708,808</b>	<b>\$ -</b>	<b>\$ 14,708,808</b>

**Independent Colleges and Universities Benefits Association, Inc.**  
**Statement of Revenue and Expenses**  
**(As reported by the Association)**  
**For The Year Ended March 31, 2010**

Net premium income	\$ 49,025,248
Aggregate write-ins for other non-health revenues	638,873
Total revenues	49,664,121
Hospital and medical benefits	41,073,643
Prescription drugs	9,761,192
Aggregate write-ins for other hospital and medical	230,962
Total hospital and medical	51,065,797
Net reinsurance recoveries	5,002,770
Total hospital and medical	46,063,027
Claims adjustment expenses	2,848,607
General administrative expenses	2,777,481
Total underwriting deductions	51,689,115
Net underwriting gain (loss)	(2,024,994)
Net investment income earned	33,416
Net income (loss)	\$ (1,991,578)

**Independent Colleges and Universities Benefits Association, Inc.**  
**Statement of Changes in Fund Balance**  
**For The Three Years Ended March 31, 2010**

Fund balance - March 31, 2007	\$ 6,116,522
Net income (loss)	(2,376,819)
Change in nonadmitted assets	(21,164)
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Fund balance - March 31, 2008	3,718,539
Net income (loss)	379,871
Change in nonadmitted assets	23,467
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Fund balance - March 31, 2009	4,121,877
Net income (loss)	(1,991,578)
Change in nonadmitted assets	(87,142)
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	2,043,157
Examination adjustments	-
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Fund balance - March 31, 2010	\$ 2,043,157
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**Independent Colleges and Universities Benefits Association, Inc.**  
**Comparative Analysis of Changes in Fund Balance**  
**March 31, 2010**

The following is a reconciliation of fund balance between that reported by the Association and as determined by the examination.

	Per Association	Per Examination	Increase (Decrease) In Fund Balance
<b>Fund balance, March 31, 2010 - per annual statement</b>			\$ 2,043,157
Total assets	\$ 14,708,808	\$ 14,708,808	\$ -
Total liabilities	\$ 12,665,651	\$ 12,665,651	\$ -
Net change in fund balance			-
<b>Fund balance, March 31, 2010 - per examination</b>			<u><u>\$ 2,043,157</u></u>

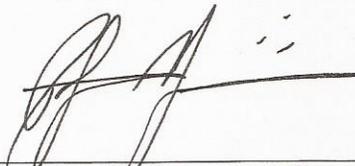
## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Independent Colleges and Universities Benefits Association, Inc. as of March 31, 2010, consistent with the insurance laws of the State of Florida.

The Association's fund balance was determined to be \$2,043,157. As of March 31, 2010, the Association was required by Section 624.4392, F.S., to maintain a minimum fund balance of \$1,266,565, and by Consent Order 66421-03-CO to maintain a minimum fund balance of \$1,000,000.

In addition to the undersigned, the following individuals participated in this examination: Cathy S. Jones, CPA, Financial Examiner/Analyst Supervisor, and Richard Tan, Actuary.

Respectfully submitted,



Robert Y. Meszaros, Financial Specialist  
Florida Office of Insurance Regulation