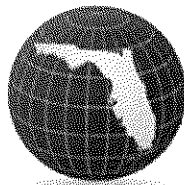


Report on Examination
of
Independent Colleges and Universities Benefits
Association, Inc.

Orlando, Florida

as of

March 31, 2016



FLORIDA OFFICE OF
INSURANCE REGULATION

David Altmaier, Commissioner
Florida Office of Insurance Regulation
Tallahassee, Florida

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, 2016. Our report on the examination follows.

Florida Office of Insurance Regulation
February 20, 2017

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SCOPE OF EXAMINATION

We have completed a financial condition examination as of March 31, 2016 of Independent Colleges and Universities Benefits Association, Inc. (the "Association"), a single-state insurer domiciled in Florida. The examination covered the period of April 1, 2014 through March 31, 2016. The last financial condition examination of the Association by the Florida Office of Insurance Regulation (the "Office") was as of March 31, 2013.

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.

This examination report includes significant findings of fact, as mentioned in Section 624.319 Florida Statutes and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to other regulators and/or the Association.

SUMMARY OF SIGNIFICANT FINDINGS

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination. Some of the findings noted during this examination period have been resolved by the Association subsequent to the examination date. However, the findings or exceptions are discussed in detail in the body of the examination report.

Accounts and Records

The Association incorrectly classified \$500,000 of surplus notes as gross paid in and contributed surplus beginning with the March 31, 2015 NAIC Annual Statement. The Association does not have any issued stock and does not have any gross paid in and contributed surplus.

The examination noted that this reclassification error does not impact total surplus.

COMPANY HISTORY

The Association was incorporated in Florida on November 4, 2002 and licensed by the Office as an insurer on March 14, 2013. It was authorized by the State of Florida to operate as multi-employer welfare arrangement in accordance with Section 624.437, Florida Statutes.

CORPORATE RECORDS

We reviewed the minutes of meetings held by the Association's shareholder and board of directors, and by its audit and finance committees. The Board's approval of Association transactions, including the authorization of its investments as required by Section 625.304, Florida Statutes, was recorded in the minutes of its meetings.

Dividends and Capital Contributions

The Association neither distributed dividends nor received capital contributions during the period examined.

MANAGEMENT AND CONTROL

The Association was organized under Chapter 617, Florida Statutes, as a not for profit corporation. Any non-profit, non-governmental entity engaged in education in the State of Florida was eligible for consideration as a member of the Association. Each Association member was entitled to one vote per participant except that no one member's percentage of total votes could exceed 35%.

The Association's senior officers, directors were:

Senior Officers

Name	Title
Mark Weinstein	President/CEO
Mary Jo Hatch	Chief Operations Officer
Paula Hedayat	Chief Financial Officer

Board of Directors

Name	Member	Location
Jennifer Boyd-Pugh	Barry University	Miami, FL
Tom Brown	Beacon College	Leesburg, FL
Jessica Stewart	Clearwater Christian College	Clearwater, FL
Ernestine Robinson	Edward Waters College	Jacksonville, FL
Cathy Wood	Florida Institute of Technology	Melbourne, FL
Diane Emery	Nova Southeastern University	Ft. Lauderdale, FL
Alyson Sylva	Nova Southeastern University	Ft. Lauderdale, FL
Mona Hicks	Palm Beach Atlantic University	West Palm Beach, FL
Maria Martinez	Rollins College	Winter Park, FL
Beth Zamerski	Saint Edward's School	Vero Beach, FL
Eric Weekes	Saint Leo University	Saint Leo, FL
Nancy Horbert	Tampa Preparatory School	Tampa, FL
Lisa Kempf	The Bolles school	Jacksonville, FL
Donna Popovich	The University of Tampa	Tampa, FL

The Association was not a member of an insurance holding company system.

FIDELITY BONDS AND OTHER INSURANCE

The Association maintained fidelity bond coverage of \$500,000 with a single loss deductible of \$5,000, which is in compliance with Section 624.439(5), Florida Statutes

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Association provided various benefits to eligible Association employees. The benefits included flexible spending and health reimbursement accounts, tuition reimbursement, a 401(k) retirement plan, paid time off, and health, dental, life, and disability insurance. The Association does not have any defined benefit plans or liabilities related to retirement plans.

TERRITORY AND PLAN OF OPERATION

The Association provided health benefits to its members which consisted of twenty-five private education employers in Florida. It also provided administrative services and arranged for fully-insured products for its members. Administrative services included enrollment and billing, flexible benefit health reimbursement account and claim administration, customer service and call center services. Fully-insured products included dental, optical, life and disability insurance.

COMPANY GROWTH

The Association reported the following for years 2014 through 2016:

(In millions except member months and year-end enrollment)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Member months	174,926	178,765	179,207
Year-end enrollment	14,617	14,941	15,000
Premiums	\$ 76.6	\$ 79.1	\$ 82.6
Revenues	\$ 77.3	\$ 79.8	\$ 83.3
Underwriting deductions	\$ 76.3	\$ 78.7	\$ 81.4
Net income	\$ 1.0	\$ 1.2	\$ 2.1
Admitted assets	\$ 30.9	\$ 34.6	\$ 38.9
Liabilities	\$ 17.6	\$ 20.1	\$ 22.3
Capital and Surplus	\$ 13.3	\$ 14.5	\$ 16.6

REINSURANCE

The Association participates in a specific stop-loss reinsurance program. Under the terms stipulated in the contracts entered into for both the year ended March 31, 2016 and 2015, the reinsurer generally provides for reimbursement of 100% of "eligible expenses" in excess of \$150,000 per member per year with an aggregate retention of \$5,250,000, which is less than 50% of surplus as required by consent order 181837-15. Under the terms of the agreement, for the years ended March 31, 2016 and 2015, the reinsurer is responsible for indemnification of the Association for any further claims in excess of the retention.

The reinsurance contracts entered into do not relieve the Association from its liability to members for defined coverages. Failure of a reinsurer to honor their obligations could result in losses to the Association. Accordingly, the Association evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency and, given the quality of the reinsuring companies, management believes that all reinsurance balances are fully collectible.

Reinsurance premiums under the agreement for the years ended March 31, 2016 and 2015 totaled approximately \$1,176,000 and \$1,160,000, respectively, and are reported as a reduction of premiums in the statements of revenues and expenses.

No medical claims and unpaid claims adjustment expenses were ceded under the stop-loss reinsurance agreements entered into during the years ended March 31, 2016 and 2015. Accordingly, there are no reinsurance recoverable balances as of March 31, 2016 and 2015.

ACCOUNTS AND RECORDS

The Association incorrectly classified \$500,000 of surplus notes as gross paid in and contributed surplus beginning with the March 31, 2015 NAIC Annual Statement. The Association does not have any issued stock and does not have any gross paid in and contributed surplus. The examination noted this reclassification error does not impact total surplus.

SURPLUS NOTES

At March 31, 2016, the Association was obligated for \$8,201,695 in 5% surplus notes to the following members:

Member	Amount
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
University of Tampa	683,326
	<u>\$ 8,201,695</u>

The notes were approved by the Office in accordance with Rule 690-192.018, Florida Administrative Code, and the Association's board of directors. In accordance with Section 624.4361(2), Florida Statutes, the debt was included in the Association's fund balance.

STATUTORY DEPOSITS

The Association maintained on deposit with the Office an insolvency protection deposit of \$1,000,000 million in accordance with Section 624.441(1), Florida Statutes and consent order 181837-15.

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment would be documented separately following the Association's financial statements. Financial Statements, as reported and filed by the Association with the Office, are reflected in the following pages:

Independent Colleges and Universities Benefits Association, Inc.
Admitted Assets, Liabilities, and Capital and Surplus
March 31, 2016

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Bonds	\$ 7,000,000	\$ -	\$ 7,000,000
Cash, cash equivalents and short-term investments	28,063,006	-	28,063,006
	35,063,006	-	35,063,006
Uncollected premiums and agents' balances	3,787,677	-	3,787,677
Total admitted assets	\$ 38,850,683	\$ -	\$ 38,850,683
Liabilities			
Claims unpaid	\$ 6,539,727	\$ -	\$ 6,539,727
Unpaid claims adjustment expenses	40,000	-	40,000
General expenses due or accrued	32,439	-	32,439
Amounts withheld or retained for the account of others	15,661,419	-	15,661,419
Total liabilities	\$ 22,273,585	\$ -	\$ 22,273,585
Capital and Surplus			
Gross paid in and contributed surplus	500,000	(500,000)	-
Surplus Notes	7,701,695	500,000	8,201,695
Aggregate write-ins for other than special surplus funds	788,650	-	788,650
Unassigned funds (surplus)	7,586,753	-	7,586,753
Total capital and surplus	16,577,098	-	16,577,098
Total liabilities, capital and surplus	\$ 38,850,683	\$ -	\$ 38,850,683

Statement of Revenue and Expenses
(As reported by the Company)
Year Ended March 31, 2016

Net premium income	\$ 82,584,296
Aggregate write-ins for other non-health revenues	722,834
Total Revenues	83,307,130
Hospital and medical benefits	54,413,984
Prescription drugs	19,307,648
Aggregate write-ins for other hospital and medical	211,984
Subtotal	73,933,616
Net reinsurance recoveries	0
Total hospital and medical	73,933,616
Claims adjustment expenses	2,676,939
General administrative expenses	4,767,893
Total underwriting deductions	81,378,448
Net underwriting gain	1,928,682
Net investment gains	127,724
Net income	\$ 2,056,406

Independent Colleges and Universities Benefits Association, Inc.
Statement of Changes in Capital and Surplus
Three Years Ended March 31, 2016

Capital and surplus - March 31, 2013	\$	12,260,060
Net income		1,039,465
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Capital and surplus - March 31, 2014		13,299,525
Net income		1,221,167
<hr/>		
Capital and surplus - March 31, 2015		14,520,692
Net income		2,056,406
		<hr/> 16,577,098
Examination adjustments		-
<hr/>		
Capital and surplus - March 31, 2016	\$	<hr/> 16,577,098 <hr/>

**Independent Colleges and Universities Benefits Association, Inc.
Comparative Analysis of Changes in Capital and Surplus
March 31, 2016**

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

Capital and Surplus, March 31, 2016 - per annual statement				\$ 16,577,098
	<u>Per Company</u>	<u>Per Examination</u>	<u>Increase (Decrease) In Capital & Surplus</u>	
Total assets	\$ 38,850,683	\$ 38,850,683	\$ -	
Total liabilities	\$ 22,273,585	\$ 22,273,585	\$ -	-
Capital and Surplus, March 31, 2016 - per examination				<u><u>\$ 16,577,098</u></u>

SUMMARY OF RECOMMENDATIONS

Accounting and Reporting Errors

As reported on page 2, the Association incorrectly classified \$500,000 of surplus notes as gross paid in and contributed surplus beginning with the March 31, 2015 NAIC Annual Statement. The exam recommends the Association properly complete the Annual Statement in accordance with the NAIC Annual Statement Instructions.

SUBSEQUENT EVENTS

Effective October 2016, Director Nancy Horbert retired and was replaced by Emily Stovall, and Director Jessica Stewart left as her school, Clearwater Christian College, was closed.

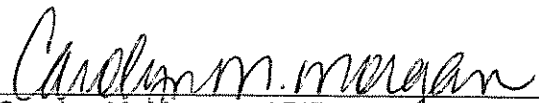
CONCLUSION

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. consistent with the insurance laws of the State of Florida.

At March 31, 2016, the Association's capital and surplus was \$16,577,098 and the Association was in compliance with the minimum capital and surplus requirement of Section 624.408, Florida Statutes

In addition to the undersigned, the following individuals participated in the examination: Tracy Gates, CFE, Mark Jaster, CFE, Travis Harrison, CPA, Sam Hebert and Lori Greene, Participating Examiners, of Highland Clark, LLC. We also recognize Luke Stavenau, Financial Examiner/Analyst Supervisor; Jorge "Jay" Guzman, Financial Specialist; and Lisa Parker, Actuary, participating in the examination.

Respectfully submitted,



Carolyn M. Morgan, APIR
Director, Life & Health Financial Oversight
Florida Office of Insurance Regulation