

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

Orlando, Florida

as of

March 31, 2019



FLORIDA OFFICE OF
INSURANCE REGULATION



OFFICE OF INSURANCE REGULATION

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David Altmaier, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

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, 2019. Our report on the examination follows.

Florida Office of Insurance Regulation
April 30, 2020

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SCOPE OF EXAMINATION

We have completed a financial condition examination as of March 31, 2019 of Independent Colleges and Universities Benefits Association, Inc. (Company), a Multiple Employer Welfare Arrangement domiciled in Florida. The examination covered the period of April 1, 2016 through March 31, 2019 and took place primarily in the Company's Orlando office and Tallahassee, Florida. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (Office) was as of March 31, 2016.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook). The Handbook required that we plan and perform our examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. Our examination also included identifying and evaluating significant risks that could cause surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. 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 statement.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes (F.S.) 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 Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings to include in this report.

COMPANY HISTORY

The Company was incorporated in Florida on November 4, 2002 and licensed by the Office as an insurer on March 14, 2003. It was authorized by the State of Florida to operate as a Multiple Employer Welfare Arrangement (MEWA) pursuant to Section 624.437, F.S.

Mergers and Acquisitions

There were no mergers or acquisitions to report during the examination period.

CORPORATE RECORDS

The minutes of meetings held by the Company's Board of Directors (Board) and its Audit Committee were reviewed for the period under examination. The Board's approval of Company transactions, including authorization of its investments as required by Section 625.304, F.S., were recorded in the minutes of its meetings.

DIVIDENDS AND CAPITAL CONTRIBUTIONS

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

MANAGEMENT AND CONTROL

The Board was composed of a member from each higher education institution who was appointed by the institution's President; and one member from the secondary schools, who was collectively appointed by the members of the secondary schools. As of March 31, 2019, there were nine (9) higher education institutions and eighteen (18) secondary schools.

Its senior officers, directors, and members of principal board committees were:

Senior Officers	
Name	Title
Mark Weinstein	President and Chief Executive Officer
Paula Hedayat	Chief Financial Officer
Mary Jo Hatch	Chief Operating Officer
Thomas Brown	Secretary
Jennifer Boyd-Pugh	Treasurer
Diane Emery *	Chair
Donna Popovich	Vice Chair

* Diane Emery resigned effective March 5, 2020.

Board of Directors [1]

<u>Name</u>	<u>Institution</u>	<u>Location</u>
Jennifer N. Boyd-Pugh	Barry University	Miami, Florida
Thomas R. Brown	Beacon College	Leesburg, Florida
Janet C. Craigmiles	Warner University	Lake Wales, Florida
Diane M. Emery [2]	Nova Southeastern University	Fort Lauderdale, Florida
Matthew W. Hawks [3]	Rollins College	Winter Park, Florida
Mona L. Hicks	Palm Beach Atlantic University	West Palm Beach, Florida
Dondi S. Kuennen	Florida Institute of Technology	Melbourne, Florida
John W. Nisbet	Saint Leo University	Saint Leo, Florida
Donna B. Popovich	The University of Tampa	Tampa, Florida
Emily C. Stovall	San Jose Episcopal Day School	Jacksonville, Florida

[1] Subsequent to the examination date, Saint Edwards assigned and approved Rochelle (Shellie) Greaves effective April 25, 2019 and The Bolles School assigned and approved Christina Wilkerson effective April 10, 2020 to the Board.

[2] Diane Emery, Nova Southeastern University resigned March 5, 2020. John Lapham was assigned her replacement effective March 23, 2020, but awaiting approval from the Office.

[3] Matthew Hawks, Rollins College was replaced by Jennifer Addleman effective October 2019.

Audit and Finance Committee

Jennifer N. Boyd-Pugh
Diane M. Emery [1]
John W. Nisbet
Donna B. Popovich
Emily C. Stovall

[1] Diane Emery resigned March 5, 2020

AFFILIATED AND OTHER AGREEMENTS

There were no related party transactions as there were no subsidiaries or affiliated companies.

TERRITORY AND PLAN OF OPERATION

The Company provides health benefits to its members, which consisted of twenty-seven (27) private education employers in Florida as of March 31, 2019, who have consolidated under one entity to provide health benefits to their employees and eligible dependents. The institutions have agreed to participate in the MEWA for a minimum of three years. Any institution that should cease participation before the expiration of the initial three-year period must reimburse the Company for any allocable deficiencies and wait a minimum of three years before rejoining.

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 Company reported the following for years 2017 through 2019:

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Member months	182,930	184,160	183,372
Year-end enrollment	15,502	15,417	15,417
Premiums	\$ 86.1	\$ 89.6	\$ 93.9
Revenues	\$ 86.9	\$ 90.3	\$ 94.4
Underwriting deductions	\$ 85.3	\$ 88.9	\$ 97.7
Net income	\$ 1.7	\$ 1.7	\$ (2.9)
Shareholder dividends	\$ -	\$ -	\$ -
Paid in surplus received	\$ -	\$ -	\$ -
Admitted assets	\$ 41.2	\$ 46.8	\$ 39.6
Liabilities	\$ 22.9	\$ 26.9	\$ 24.2
Capital and surplus	\$ 18.2	\$ 19.9	\$ 15.4

REINSURANCE

Assumed Reinsurance:

The Company does not assume any business.

Ceded Reinsurance:

The Company participated in a specific stop-loss reinsurance program. As of April 1, 2016, under the terms stipulated in the contract, the reinsurer reimbursed 100% of eligible expenses in excess of \$150,000 per member per year with an aggregate retention of \$4,950,000. The Company's retention was reduced to \$4,500,000 effective April 1, 2017 and then increased to \$4,950,000 April 1, 2018.

ACCOUNTS AND RECORDS

There were no significant examination findings related to the Company's accounts and records.

SURPLUS NOTES

In 2004, qualified surplus notes Series I through III were issued to the Company's original nine (9) members in return for \$3.9 million in cash. In 2005, there were 17 members and Series IV through VI were issued to the additional eight members in return for \$4.3 million in cash. There were no additional surplus notes issued after 2005. The surplus notes require the Company to pay, upon approval of the Florida Office of Insurance Regulation, a portion of the principal as determined by the Company's Board of Directors. All repayments on the surplus notes shall be applied pro rata against each qualified surplus note comprising the Series (I through VI). During 2019, the Company retired approximately \$1.6 million of Series I, III and IV qualified surplus notes. Additionally, during the fiscal year ending March 31, 2019, certain Series I, II, III, IV and V note holders forfeited their

right to repayment of qualified surplus notes in the amount of approximately \$100,000. The outstanding balance of the qualified surplus notes is \$6,497,046.

STATUTORY DEPOSITS

The Company had \$1.0 million in cash deposited with the State of Florida as required by Section 624.411, F.S.

FINANCIAL STATEMENTS

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

Independent Colleges and Universities Benefits Association, Inc.
Admitted Assets, Liabilities, Capital and Surplus
March 31, 2019

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Bonds	\$ 13,990,724	\$ -	\$ 13,990,724
Cash, cash equivalents and short-term investments	24,669,781	-	24,669,781
	38,660,505	-	38,660,505
Uncollected premiums and agents' balances	128,256	-	128,256
Amounts recoverable from reinsurers'	658,028	-	658,028
Health care and other amounts receivable	196,824	-	196,824
Total admitted assets	\$ 39,643,613	\$ -	\$ 39,643,613
Liabilities			
Claims unpaid	\$ 6,664,869	\$ -	\$ 6,664,869
Unpaid claims adjustment expenses	40,000	-	40,000
Premiums received in advance	96,065	-	96,065
General expenses due or accrued	81,696	-	81,696
Amounts withheld or retained for the account of others	17,326,059	-	17,326,059
Total liabilities	\$ 24,208,689	\$ -	\$ 24,208,689
Capital and Surplus			
Surplus notes	\$ 6,497,046	\$ -	\$ 6,497,046
Unassigned funds (deficit)	8,937,878	-	8,937,878
Total capital and surplus	\$ 15,434,924	\$ -	\$ 15,434,924
Total liabilities, capital and surplus	\$ 39,643,613	\$ -	\$ 39,643,613

Independent Colleges and Universities Benefits Association, Inc.
Statement of Revenue and Expenses
Year Ended March 31, 2019

Net premium income	\$ 93,925,646
Aggregate write-ins for other non-health revenues	\$ 473,864
<u>Total revenues</u>	<u>\$ 94,399,510</u>
Hospital and medical benefits	65,676,462
Prescription drugs	24,638,238
Aggregate write-ins for other hospital and medical	284,256
<u>Subtotal Hospital and medical</u>	<u>90,598,956</u>
Net reinsurance recoveries	658,028
<u>Total hospital and medical</u>	<u>89,940,928</u>
Claims adjustment expenses	2,802,102
General administrative expenses	4,952,128
<u>Total underwriting deductions</u>	<u>97,695,158</u>
Net underwriting gain	(3,295,648)
Net investment gains	401,701
<u>Income before federal income tax</u>	<u>(2,893,947)</u>
<u>Net income</u>	<u>\$ (2,893,947)</u>

Independent Colleges and Universities Benefits Association, Inc.
Statement of Changes in Capital and Surplus
Three Year Ended March 31, 2019

Capital and surplus - March 31, 2016	\$	16,577,098
Net income		1,663,390
		18,240,488
Capital and surplus - March 31, 2017		18,240,488
Net income		1,693,100
		19,933,588
Capital and surplus - March 31, 2018		19,933,588
Net income		(2,893,947)
Change in surplus notes		(1,704,649)
Transferred to surplus		99,932
		15,434,924
Examination adjustments		-
		-
Capital and surplus - March 31, 2019	\$	15,434,924

Independent Colleges and Universities Benefits Association, Inc.
Comparative Analysis of Changes in Capital & Surplus
March 31, 2019

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

Capital & surplus, March 31, 2019 - per annual statement				\$ 15,434,924
	<u>Per Company</u>	<u>Per Examination</u>	<u>Increase (Decrease) In Capital & Surplus</u>	
Total assets	\$ 39,643,613	\$ 39,643,613	\$ -	
Total liabilities	\$ 24,208,689	\$ 24,208,689	\$ -	\$ -
Capital & surplus, March 31, 2019 - per examination				<u>\$ 15,434,924</u>

COMMENTS ON FINANCIAL STATEMENTS

The actuarial reserves and claims liabilities were reviewed and it was determined that the reserves as reported by the Company are acceptable. There were no material changes required to be made to the Company's financial statements.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

SUBSEQUENT EVENTS

In addition to reviewing board minutes and financial statements, the examination also considered notable subsequent events occurring after the March 31, 2019 examination date. Saint Edwards assigned and approved Rochelle (Shellie) Greaves effective April 25, 2019 and The Bolles School assigned and approved Christina Wilkerson effective April 10, 2020 to the Board. Diane Emery, Nova Southeastern University resigned March 5, 2020. John Lapham was assigned as her replacement effective March 23, 2020 but awaiting approval from the Office. Matthew Hawks, Rollins College was replaced by Jennifer Addleman effective October 2019.

In March 2020, the World Health Organization recognized the coronavirus (COVID-19) outbreak as a pandemic. While the complete effects of COVID-19 on the economy and financial markets are still unknown, the Office recognizes that it could have a significant impact on all domestic insurers, including the Company. The Office will continue to closely monitor this situation and share information with the Company as appropriate regarding these developments.

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, 2019, the Company's capital and surplus was \$15,434,924 and the Company was in compliance with the minimum capital and surplus requirement of Section 624.408, F.S.

The following individuals participated in the examination: Lester C. Schott, CFE, CPA, Exam Manager; Richard W. Buchwald, CFE, CIA, Examiner-in-Charge; Junjie Pan, CFE, CPA, Participating Examiner; Benjamin D. Glaudemans, IT Examiner; Philip Schmoyer, CISA, CFE, AES, Senior IT Specialist; Felix G. Peysakhovich, ASA, MAAA, Actuary; Michael C. Dubin, FCAS, FSA, MAAA, FCA, Senior Actuary; and John R. Powell, Actuary, associated with the firm of Baker Tilly Virchow Krause, LLP.

The following individuals from the Florida Office of Insurance Regulation also participated in the examination: Marshay L. Spencer, APIR, Financial Examiner/Analyst Supervisor, and Glenn Coats, APIR, Financial Control Analyst.

Respectfully submitted,



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