

EXAMINATION REPORT OF
IOWA BANKERS BENEFIT PLAN
POLK COUNTY, JOHNSTON, IOWA
AS OF DECEMBER 31, 2017

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Johnston, Iowa
September 18, 2020

Commissioner Ommen:

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, business affairs and financial condition of the

IOWA BANKERS BENEFIT PLAN

AS OF DECEMBER 31, 2017

The Home Office is at 8800 NW 62nd Avenue, Johnston, Iowa. The report, containing applicable comments and financial data, is presented herein.

INTRODUCTION

This is the examination report of Iowa Bankers Benefit Plan, a multiple employer welfare arrangement, hereinafter referred to as the "MEWA", for the period ending December 31, 2017. The examination report herein was conducted solely by the Iowa Insurance Division.

SCOPE OF THE EXAMINATION

This examination covers the period from December 31, 2012 to December 31, 2017. The examination was conducted in accordance with procedures established by the Iowa Insurance Division. The MEWA's assets were verified and evaluated and the liabilities determined to present herein a statement of its financial condition as of December 31, 2017.

HISTORY

Iowa Bankers Insurance and Services, Inc. (IBIS) established the "IBIS Voluntary Employee's Beneficiary Association (VEBA)" per Trust Agreement dated September 1, 1978. VEBA renamed to "Iowa Bankers Benefit Plan" (IBBP) as of August 31, 1979. The MEWA was established through the Employees Retirement Income Security Act of 1974 (ERISA) and organized as a tax-exempt trust under Section 501.C.9 of the Internal Revenue Code.

In 1997, Iowa legislature passed a bill granting for State of Iowa Insurance Division the power to regulate MEWAs. The MEWA granted a Certificate of Authority to transact business in the State of Iowa as of January 1, 2003. The MEWA's Trustees approved expansion to Minnesota on November 13, 2014.

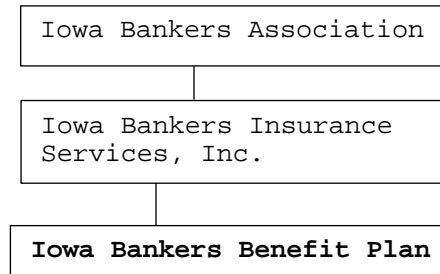
AFFILIATED OPERATIONS

The MEWA is affiliated with Iowa Bankers Association (IBA), a trade association which was founded on June 22, 1887. IBA serves Iowa banks and their employees. Primary purpose of IBA was to provide representation of Iowa banks before the Iowa Legislature and to provide an organization where individual bankers could gather and exchange ideas on the business of banking.

IBIS is fiduciary administrator of the MEWA. Services provided by IBIS for the MEWA are: accounting, asset management, billing and premium collection, claims auditing, customer services, claims monitoring, benefit plan design, plan management

including contracting claims administration and compliance with state and federal regulations.

ORGANIZATION CHART



ADMINISTRATIVE AGREEMENTS

IBIS enters into an annual Administrative Services Agreement with Wellmark Blue Cross and Blue Shield of Iowa (Wellmark) on January 1 of each year. Wellmark shall administer benefits and process incurred claims for health services furnished members in accordance with the terms, limitations and conditions stated by the Plan, the Benefit Document(s), this Agreement, and applicable laws and regulations. Processing of claims may include payment by Wellmark and reporting of benefits to providers and Members, coordination of benefits and the monitoring, detection and investigation of potentially abusive or fraudulent claims. Wellmark shall maintain a single-level appeal procedure to appeal adverse benefit determinations each in accordance with the requirements of the Plan and applicable law.

Pursuant to Administrative Agreement, the MEWA contracts to delegate administrative discretion to Delta Dental of Iowa. IBIS administers the MEWA Group Dental Plan for the exclusive benefit of and provide dental benefits to eligible members. Group Dental Plan summarizes the benefits and who is eligible to receive the benefits required by Section 102 of ERISA. Benefits under the Dental Plan self-funded by the MEWA and paid directly out of the MEWA's general assets.

Delta Dental of Iowa administers dental claims reimbursement pursuant to a contract between the MEWA and Delta Dental. The MEWA and Delta Dental interpretations and determinations are final and conclusive. The MEWA is at all times responsible for payment of all claims under the Plan. The complete terms and conditions of the Dental Plan are contained in the Group Dental Plan legal document adopted by the MEWA and in portions of the Summary Plan Description, a copy of which is available for members to obtain.

MANAGEMENT AND CONTROL

Trustees

The Iowa Bankers Insurance and Services, Inc. (IBIS) Board of Directors according to Amended Declaration of Trust of 2005 shall select trustees for the MEWA. The number of Trustees should consist of no fewer than five nor more than nine individual Trustees. The term of a Trustee continues until resignation, removal, or death. No individual serving as a member of IBIS Board may serve on the MEWA's Board. Removal of a Trustee may be made by IBIS Board, or a majority of Participating Employers.

All actions and decisions of the Board of Trustees shall be determined by a majority vote at any regular or special meeting of the Board. The regular meetings of

the Board shall be held at such time and at such place as the individual trustees determine and any special meeting shall be held at the request of any two individual trustees.

The Board of Trustees shall discharge its duties solely in the interest of the Participating Employees and other Participants, and for the exclusive purpose of providing benefits to such persons and defraying the reasonable expenses of administering the Trust. General duties are to receive and invest funds and reserve accounts, make arrangements necessary to remain self-insured, manage, invest and reinvest the Trust's funds, collect the income of the Trust and apply that income for the purpose of providing life and health benefits and make payments necessary to secure and maintain coverage provided under master agreements. Also, a final duty is to file all reports, disclosures and other information required by the Internal Revenue Service, the U.S. Department of Labor, and any other governmental agencies.

The individual trustees serve without compensation for their services in administering the Trust and its funds.

Trustees of Iowa as of December 31, 2017 were:

<u>Name and Address</u>	<u>Bank Affiliation</u>
Alex J. Oponski, Chairman Arnolds Park, Iowa	V.P., Chief People Officer Northwest Financial Corporation
David A. Coulter La Porte City, Iowa	President, Chief Executive Officer Cedar Valley Bank & Trust
Joshua M. Gutttau Treyvor, Iowa	Chief Financial Officer T S Bank
Joel R. Johnson St. Paul, Minnesota	EVP, Director - Human Resources Sunrise Banks
Gary S. Kahn Newton, Iowa	Chief Executive Officer First Newton National Bank
James R. Kennedy, Jr. Dubuque, Iowa	President & Chief Executive Officer Fidelity Company
Gregory W. Turner Iowa City, Iowa	Senior Vice President, FSO MidWestOne Bank

OFFICERS

<u>Name</u>	<u>Title</u>
Chad J. Ellsworth	Chief Administrative Officer
Christina K. Wehde	Vice President, Compliance Manager

CONFLICT OF INTEREST

The MEWA was unable to provide copies of signed Conflict of Interest forms for officers during 2014, 2015, 2016 and one trustee for 2015 and 2016.

CORPORATE RECORDS

The Trust Plan Document was amended and approved by the board on August 11, 2016. Updates to the Amended Plan Document included changes in funding & benefits, eligibility and participation requirements, claims by participants and beneficiaries, and plan administration.

The recorded minutes of the membership and Board of Trustees meetings were read and noted. The minutes of the Board of Directors did not reflect that the Examination Report as of December 31, 2012 was approved by the Board.

FIDUCIARY BOND AND OTHER INSURANCE

The MEWA has secured a fidelity bond with \$2,000,000 per occurrence limit for a three-year policy period. IBIS secured the coverage and listed the MEWA as a named insured.

Policies for other coverages are as follows:

- General liability
- Fiduciary liability
- Directors & Officers liability
- Workers compensation
- Employer's liability
- Auto liability
- Personal property
- Employment practices
- Cyber liability
- Umbrella coverage

Adequate insurance is placed with insurers authorized to transact business in the State of Iowa.

REINSURANCE

The MEWA does not assume any reinsurance. The MEWA maintains an agreement with a reinsurer to provide stop loss reinsurance for health coverage during the entire Examination period. Health reinsurance specific reinsurance is \$1,000,000 as of December 31, 2017. The aggregate attachment point is 120% of expected paid claims.

TERRITORY AND PLAN OF OPERATION

According to 2015 Amended Trust, Article 2, the MEWA provides benefits to eligible employees of Participating Employers and their eligible spouses and dependents. Article 3 states that the MEWA provides specific benefits paid for by the MEWA that are outlined in the Summary Plan Description for the benefits elected by the Participating Employer up to the attachment point for any stop loss coverage purchased by the MEWA. Participating Employers are any member bank of the Iowa Bankers Association or an employer who has executed an Employer Participation Agreement with the MEWA, which is valid and enforceable.

Per Article 6, the Plan Administrator has contracted with the Claims Administrator to provide claims administrative and other administrative services for the MEWA.

The MEWA's health and dental insurance programs are self-funded per Article 3. The MEWA's life insurance programs are fully insured through group contracts with

Standard Life Insurance Company. The MEWA is subject to the provisions of the ERISA of 1974 per Article 8.

The MEWA has written coverage in Iowa since inception. In July of 2014, the MEWA received confirmation from The Minnesota Department of Commerce that the MEWA qualifies for the statutory exemption as a homogeneous joint employer plan and is exempt from Minnesota insurance laws. Furthermore, there is no requirement for approval in order for the MEWA to operate in Minnesota. Trustees approved the expansion in a board meeting on November 13, 2014. The MEWA started offering coverage to employees, their spouses, and dependents of those institutional members of the Minnesota Bankers Association in 2014.

GROWTH

<u>YEAR</u>	<u>NET ADMITTED ASSETS</u>	<u>TOTAL SURPLUS</u>	<u>PREMIUM CONTRIBUTIONS</u>	<u>BENEFITS EXPENSE</u>	<u>INTEREST AND DIVIDENDS</u>
2013	29,600,161	16,620,559	118,570,147	104,799,335	266,950
2014	30,358,874	15,914,122	115,734,626	104,652,976	225,573
2015	26,776,441	10,378,704	125,241,861	117,276,820	205,493
2016	26,477,854	6,485,227	140,687,312	133,302,905	226,716
2017	57,780,726	6,275,814	152,103,618	144,136,788	214,977

MARKET CONDUCT

COMPLAINT HANDLING

Complaints managed by third-party administrators. A review of the MEWA's complaint register provided by the third-party administrators demonstrated that the MEWA compliant with applicable regulations. All of the complaints (appeals) recorded in 2017 were reviewed. Based on the results of this review, it was determined that complaints administered in a timely manner and according to the terms of the policy.

CLAIMS

TIME PAYMENT STUDY

For the purpose of this study, time was measured in calendar days from the date sufficient information to process the claim was received by the third-party administrator to the date the check was issued. The results of a selection of 100 health claims paid during the years 2017. The results are as follows:

<u>Days to Pay</u>	<u>Number of claims</u>	<u>2017 Exam</u>
0-7	51	51%
8-14	28	28%
15-21	5	5%
22-30	5	5%
Over 30 days	<u>11</u>	<u>11%</u>
Total	<u>100%</u>	<u>100%</u>

DENIED CLAIMS

A sample of claims denied during calendar year 2017 was reviewed to determine if the third-party administrators provided reasonable explanations for denial and if

denial was timely. Based on the sample reviewed, it appears that claims were denied in accordance with the plan and timely notification of payment status was provided.

ACCOUNTS AND RECORDS

Office copies of the filed annual statements were found to be in agreement with or reconciled to the general ledger balances of assets, liabilities, income and disbursements.

The MEWA did not maintain required minimum surplus at the end of year in 2015, 2016, and 2017. The MEWA secured a letter of credit in an amount that brings its surplus into compliance with Iowa Statute.

As of the date of this report the MEWA is in compliance with Iowa surplus requirements.

FINANCIAL STATEMENTS
AND COMMENTS THEREON

Note: The financial statements contained herein reflect only the transactions of the year ended December 31, 2017, and the assets and liabilities as of that date. Schedules may not add or tie precisely due to rounding.

STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2017

ASSETS

Bonds	\$ 247,479
Cash	56,802,514
Cash equivalents, money market funds	<u>573,930</u>
Subtotals, cash and invested assets	\$57,623,923
Investment income due and accrued	156,802
Uncollected premiums/contributions receivable	<u>5,129</u>
Total Assets	<u>\$57,785,854</u>

LIABILITIES AND SURPLUS

Claims unpaid current	\$ 6,122,283
IBNR	13,266,716
Unearned and/or advance premiums	31,595,462
General expenses due	<u>525,579</u>
Total Liabilities	<u>\$51,510,040</u>
Special surplus funds (ACA) SSAP 106	\$ 2,155,577
Unassigned surplus	<u>4,120,237</u>
Total Surplus	<u>\$ 6,275,814</u>
Total Liabilities and Surplus	<u>\$57,785,854</u>

STATEMENT OF REVENUE AND EXPENSES
FOR THE ONE YEAR ENDING DECEMBER 31, 2017

Premium and Other Revenue:	
Net premium income earned	\$151,279,278
Rebates	3,859,758
Other reimbursements	<u>824,339</u>
Total Revenues	\$155,963,375
Hospital and Medical Claims Incurred:	
Hospital/medical benefits	\$105,395,648
Other professional services (including Dental and Vision)	7,974,223
Other health	30,006,365
Other non-health	<u>1,504,388</u>
Subtotal	\$144,880,624
Administrative and Other Expenses:	
General administrative deductions	<u>11,512,270</u>
Total underwriting deductions	\$156,392,894
Net underwriting gain	(429,519)
Investment income:	
Net investment income	<u>220,106</u>
Net income	<u>\$ (209,413)</u>
CAPITAL AND SURPLUS ACCOUNT	
Capital and surplus prior reporting year	\$ 6,485,227
Net income (loss) from above	<u>(209,413)</u>
Net change in capital and surplus	<u>\$ (209,413)</u>
Capital and surplus end of reporting year	<u>\$ 6,275,814</u>

STATEMENT OF REVENUE AND EXPENSES
FOR THE FIVE YEARS ENDING DECEMBER 31, 2017

Premium and Other Revenue:	
Net premium income earned	\$652,882,036
Rebates	4,946,331
Other reimbursements	<u>1,100,981</u>
Total revenues	<u>\$658,929,348</u>
Hospital and Medical Claims Incurred:	
Hospital/medical benefits	\$492,771,681
Other professional services (including Dental and Vision)	35,806,366
Other health	81,111,613
Other non-health	<u>1,499,260</u>
Subtotal	<u>\$611,183,792</u>
Administrative and Other Expenses:	
General administrative deductions	<u>54,175,609</u>
Total underwriting deductions	\$665,364,529
Net underwriting gain	(6,435,181)
Investment income:	
Net investment income earned	<u>\$ 1,139,709</u>
Net income (loss)	<u>\$ (5,295,472)</u>
CAPITAL AND SURPLUS ACCOUNT	
Capital and surplus prior reporting year	\$ 11,571,288
Net income (loss) from above	\$ (5,295,472)
Change in valuation of claim reserves	1,000,081
Reconciling difference	<u>(1,000,083)</u>
Net change in capital and surplus	<u>\$ (5,295,474)</u>
Capital and surplus end of reporting year	<u>\$ 6,275,814</u>

STATEMENT OF CASH FLOW

CASH FROM OPERATIONS

Premiums collected net of reinsurance	\$195,209,730
Net investment income	<u>287,838</u>
Total	<u>\$195,497,568</u>
Benefit and loss related payments	142,367,652
Administrative and general expenses paid	<u>12,144,853</u>
Total	<u>\$154,512,505</u>
Net cash from operations	<u>\$ 40,985,063</u>

CASH FROM INVESTMENTS

Proceeds from investments sold, matured or repaid:	
Bonds	<u>\$ 9,759,454</u>
Net cash from investments	<u>\$ 9,759,454</u>

CASH FROM MISCELLANEOUS SOURCES

Net cash from miscellaneous sources	<u>\$ 0</u>
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RECONCILIATION OF CASH, EQUIVALENTS AND SHORT-TERM INVESTMENTS

Net cash in cash, cash equivalents and short-term investments	\$ 50,744,517
Cash, cash equivalents and short term investments:	
Beginning of the year	<u>\$ 6,631,927</u>
End of the year	<u>\$ 57,376,444</u>

SURPLUS AS REGARDS TO POLICYHOLDERS

The changes which resulted in the no change in the surplus are shown in the following statement of differences:

Classification	MEWA Annual <u>Statement</u>	Examination Financial <u>Statement</u>	Surplus Increase <u>(Decrease)</u>
<u>Assets</u>			
Bonds	\$ 9,850,622	\$ 247,479	\$ (9,603,143)
Cash	5,041,191	56,802,514	51,761,323
Cash equivalents, money market funds	42,732,111	573,930	(42,158,181)
Investment income	151,673	156,802	5,129
<u>Liabilities</u>			
General expenses	520,451	525,579	(5,128)
<u>Capital and Surplus</u>			
Special surplus funds (ACA) SSAP 106		2,155,577	2,155,577
Unassigned surplus	6,275,814	4,120,237	<u>(2,155,577)</u>
Net change to surplus			<u>\$ 0</u>
Surplus per MEWA			<u>\$ 6,275,814</u>
Surplus per examination			<u>\$ 6,275,814</u>

During the period under review, surplus funds decreased \$5,295,474 from the amount of \$11,571,288 as shown in the last previous examination report. An operating statement reflecting that increase is contained in the financial section.

COMMENTS

The major changes in the Association's financial statement were due to the following:

Bonds \$ 247,479

This asset decreased by \$9,603,143 to reclassify Certificates of Deposit that mature within one year to cash.

Cash \$ 56,802,514

This asset increased by \$51,761,323 to reclassify CDARS and Certificates of Deposit from cash equivalents for \$42,158,181 and reclassify other Certificates of Deposit of \$9,603,143 maturing within one year from bonds.

Cash equivalents \$ 573,930

This asset decreased by \$42,158,181 due to reclassifying of CDARS and Certificates of Deposit to cash equivalents.

Investment income \$ 156,802

This asset reduced by \$5,128 to properly account for accrued interest.

General expenses \$ 525,579

This liability increased \$5,128 to properly account for life insurance and other expenses as of December 31, 2017 yet unpaid as of that date.

Special surplus funds (ACA) SSAP 106 \$ 2,155,577

This surplus account increased by \$2,155,577 to account for funds due to the United States government for the Affordable Care Act.

Unassigned surplus \$ 4,120,237

This surplus account decreased by \$2,155,577 to reclassify funds to Special surplus funds (ACA) SSAP 106.

CONCLUSION

The cooperation and assistance extended by the officers of Iowa Bankers Benefit Plan and employees of Iowa Bankers and Insurance Services is hereby acknowledged.

Respectfully submitted,

/s/ Jerry Cihota
Jerry Cihota, CPA, CFE
Examiner Specialist