

EXAMINATION REPORT OF
PMCI TRUST
URBANDALE, IOWA
AS OF DECEMBER 31, 2017

HONORABLE DOUG OMMEN
COMMISSIONER of INSURANCE
State of Iowa
Des Moines, Iowa

Urbandale, Iowa
March 11, 2019

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

PMCI TRUST

AS OF DECEMBER 31, 2017

At its Home Office, 10430 New York Avenue, Suite F, Urbandale, Iowa.

INTRODUCTION

This is the examination report of PMCI Trust, 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

The MEWA formed under an Agreement and Declaration of Trust dated December 1, 1950 by Threlkeld Super Service and Burlington Oil Company to obtain group insurance for the benefits to employees of members of the Iowa Independent Oil Jobbers' Association, Inc. The MEWA known, at that time, as Iowa Independent Oil Jobbers Association Insurance Trust.

The Original Agreement and Declaration of Trust was primarily amended and restated effective June 12, 1962 in order to clarify the permissible benefits offered to plan participants. On February 23, 1988, the Internal Revenue Service granted tax-exempt status to the Plan.

This agreement was again amended and restated effective July 1, 2005, at which time the name was changed to "PMCI Trust, LLC" to memorialize participation by members of Petroleum Marketers and Convenience Stores of Iowa Association and affiliates. On September 20, 2007, the MEWA was granted a Certificate of Authority to transact business in the State of Iowa.

The Amended and Restated Declaration of Trust, adopted by the Trustees on April 27, 2010, changed the name of the MEWA to "PMCI Trust", and contained additional amendments designed to bring the agreement into further compliance with the requirements of both federal and state laws.

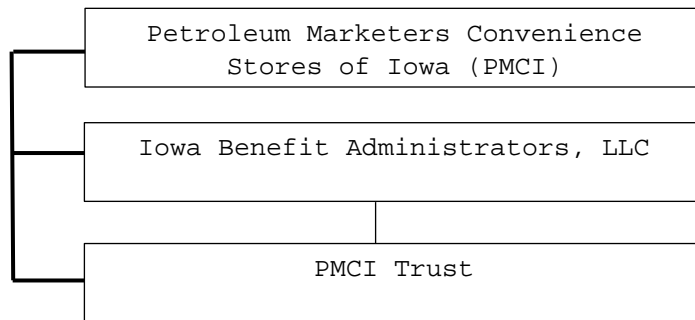
AFFILIATED OPERATIONS

The MEWA, originally established on December 1, 1950, is affiliated with the tax-exempt trade association now known as Petroleum Marketers and Convenience Stores of Iowa (PMCI). Policyholders of the MEWA must be employees of the participant companies that are members of PMCI to obtain coverage with the MEWA.

On October 13, 2010, a limited liability company, Iowa Benefit Administrators, LLC (IBA), formed to relieve PMCI from liability for serving as the Plan Administrator of the MEWA for purposes of ERISA. Plan Administrator prepares and files all federal and state reports required by governmental and other regulatory agencies. Dawn Carlson, President of PMCI, appointed acting Manager and President of IBA.

PMCI is the sole member of IBA. IBA does not receive an administrative fee from the MEWA for the performance of its services. Each participating employer directly pays IBA an administration fee. The fee is \$8 per employee per month or \$7 per employee per month if paid via ACH or EFT. Participating employers pay premium payments directly to the MEWA for insurance coverage. On June 1, 2011, a Plan Administrator Agreement entered into between the Trustees of the MEWA and IBA to establish the direct relationship between the MEWA and IBA.

ORGANIZATIONAL CHART



ADMINISTRATIVE AGREEMENTS

PMCI entered into an investment advisory agreement effective October 26, 2010 with the Foster Group for the benefit of the MEWA. The investment advisor agrees to manage the investments and invest the assets in accordance with the investment policies and objectives of the MEWA. An independent custodian maintains physical custody of these investments.

The MEWA entered into an annual Administrative Services Agreement with Wellmark Blue Cross and Blue Shield of Iowa and Wellmark Health Plan of Iowa, Inc. (Wellmark) on January 1st. Wellmark agreed to administer benefits and process-incurred claims for health services furnished members, subject to the limitations, conditions and exclusions stated in the benefits document, the Plan, applicable laws and other related documents. The MEWA paid Wellmark for the claims paid, capitation, network access fee, administrative fee and other fees as set forth in the agreement.

PMCI entered into an Administrative Services and Financial Agreement with Delta Dental of Iowa (Delta Dental), effective April 1, 2006 for the benefit of

the MEWA. Delta Dental authorized to process claims, subject to the limitations, conditions and exclusions stated in the summary plan description.

The MEWA entered into a Consulting Services Agreement and a Business Associate Agreement with Milliman, Inc. (Milliman) and Lamair, Mulock, Condon & Co. (LMC), effective June 23, 2009. Milliman provides actuarial and underwriting services. LMC provides marketing, benefits administrative services and consulting services.

MANAGEMENT AND CONTROL

The Board of Trustees shall consist of no fewer than three (3) nor more than nine (9) individual trustees. Individual members of the Board of Trustees must be title-holding employees, officers, or ownership-interest holders of a Participating Employer. The term of each individual trustee shall continue until his or her resignation, removal, or death. 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 shall determine and any special meeting shall be held at the request of the Chairperson, or at the request of any two individual trustees. The members of the Board of Trustees shall select a Chairperson from among the members. The Chairperson shall have authority to execute documents on behalf of the Trust, to call meetings of the Board of Trustees, and to execute such additional authority as may be vested in him or her by the Board of 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 involving investing include receiving and investing 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. Compliance requirements include making payments necessary to secure and maintain coverage provided under master agreements and 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 PMCI Trust as of December 31, 2017 were:

<u>Name and Address</u>	<u>Business Affiliation</u>
Bryan Bandstra Pella, Iowa	Human Resources and Risk Manager Key Cooperative
Andrew Woodard Ottumwa, Iowa	Vice-President and General Manager Elliot Oil
Lisa Abens Manson, Iowa	Operations Director Wessels Oil Company
Brooke Lilley Houghton, Iowa	Human Resources Jet Gas Corporation

CONFLICT OF INTEREST

The Association has a policy in place to have all officers, directors, and key employees provide conflict of interest statements annually.

CORPORATE RECORDS

The Plan documents were not amended or substituted during the period covered by this examination.

The recorded minutes of the meetings of the Board of Trustees from January 1, 2013 through March 27, 2019 read and noted. The minutes of the Board of Directors reflected that the Examination Report as of December 31, 2012 was reviewed and but not approved at the August 27, 2014 Board meeting.

FIDUCIARY BOND AND OTHER INSURANCE

The MEWA, along with affiliates PMCI, and RINAlliance, Inc., are the named insureds on a \$500,000 employee dishonesty insurance policy. This policy written for a one-year period and meets the minimum recommended requirements.

Policies for other group coverages, placed with the same authorized insurer, include:

- General liability
- Business personal property
- Workers' compensation and employers' liability
- Commercial inland marine
- Commercial umbrella liability
- Business auto
- Cyber liability
- Professional liability

The PMCI Trust is the named insured on a \$2,000,000 fiduciary insurance policy for loss from claims made against the insured and reported under the policy with respect to any benefit plans.

REINSURANCE

The MEWA maintained an agreement with Wellmark to provide stop loss reinsurance to the MEWA for the entire examination period. The maximum aggregate and actual stop loss coverage is 120% of expected paid claims.

TERRITORY AND PLAN OF OPERATION

The MEWA is authorized to transact business in the State of Iowa. The MEWA is a multi-employer welfare arrangement providing health, dental, vision and term life insurance to the employees of members of PMCI trade association on a voluntary basis. In 2017, the MEWA provided benefits to the employees of approximately 66 participating employers, as well as their dependents or spouses/partners. The MEWA's health and dental insurance program is self-insured, with stop-loss coverage for health insurance in place at required attachment points. The MEWA's life and vision insurance programs are fully insured through group contracts with a life insurance company and a third-party administrator, respectively. The MEWA is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

GROWTH

The table below shows the growth of the MEWA for the five-year period ending with the last year of this examination.

<u>Year</u>	<u>Net Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Premium Income</u>	<u>Claims Paid</u>	<u>Investment Gain/(Loss)</u>
2013	\$1,860,873	\$ 334,376	\$ 7,996,462	\$8,011,169	\$ 57,023
2014	1,810,330	929,259	8,795,691	7,305,906	(153,999)
2015	2,077,031	1,358,552	9,874,360	7,385,963	399,946
2016	2,272,084	1,444,731	10,278,027	8,421,335	62,076
2017	2,771,879	2,110,735	9,913,907	7,714,445	2,805

MARKET CONDUCT

COMPLAINT/APPEAL HANDLING

Complaints and appeals administered by third party health administrator. A review of the MEWA's complaint register provided by the third-party administrator demonstrated that the MEWA was properly reviewing complaints. All 26 complaints in 2017 were reviewed. Based on the results of this review, it was determined that the complaints, all of which were more appropriately described as appeals, were handled in a timely and appropriate manner and documentation was adequate to support resolution of the complaint.

PAID CLAIMS

The Examiner reviewed dental claims with service dates in calendar year 2017 and health claims paid in December 2017. A sample of 100 health claims was reviewed to determine if type of service and physicians' group was reasonable. A sample of 50 dental claims were tested to determine if claim was reasonably supported.

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 health administrator to the date claim was processed. The time payment study included only non-pharmaceutical claims. Separate studies were performed for each third-party health administrator.

The MEWA should ensure that the third-party administrator pays interest to the provider on claims paid more than 30 days after the receipt of sufficient information from the provider.

Health Claims

<u>Days to Pay</u>	<u>Number of claims</u>	<u>Percentage</u>
0-7	806	18%
8-14	1,764	39%
15-21	1,842	40%
22-30	60	1%
Over 30	73	2%
Total	<u>4,545</u>	<u>100%</u>

Dental Claims

<u>Days to Pay</u>	<u>Number of claims</u>	<u>Percentage</u>
0-7	73	55%
8-14	32	24%
15-21	12	9%
22-30	5	4%
Over 30	10	8%
Total	<u>132</u>	<u>100%</u>

DENIED CLAIMS

A sample of 100 health claims and 100 dental claims denied during the examination period was reviewed to determine if the denial was reasonable. All claims reviewed were denied in accordance with the provisions of the plan.

ACCOUNTS AND RECORDS

Office copies of the filed annual statements were found to be in agreement with the general ledger balances of assets and liabilities. Cash receipts and disbursements were tested to the extent deemed necessary. No exceptions were noted.

The MEWA entered into a custodial agreement with a trust bank in 2017. The Custodial agreement is not compliant with Iowa Administrative Code 191.32.4, pursuant to Section 191.77.3(3).

Dental policies do not provide the notice that MEWA to policyholders as required by Iowa Administrative Code 191.77.3(6). Disclosure that benefits and coverages provided through a self-insured trust fund to each employer member of MEWA was not made pursuant to Iowa Administrative Code 191.77.5.

SUBSEQUENT EVENTS

An investment agreement entered into with BTC Capital Management to manage investment and reinvestment of assets according to the MEWA's written investment objectives as of September 12, 2018.

During the month of December, 2018, Petroleum Marketers and Convenience Stores of Iowa changed the name as it does business as to FUEL Iowa.

On July 17, 2019 the MEWA changed its name to HEALTHalliance Benefit.

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

ASSETS

Bonds	\$1,896,095
Common stocks	683,097
Cash	156,878
Cash equivalents, money market funds	37,803
Other amounts receivable	<u>(1,994)</u>
 Total Assets	 <u>\$2,771,879</u>

LIABILITIES AND SURPLUS

Claims unpaid current	\$ (59,789)
Incurred But Not Reported Reserve	639,047
Unearned and/or advance premiums	49,544
General expenses due	<u>50,389</u>
 Total Liabilities	 <u>\$ 679,191</u>
 Surplus	 <u>\$2,092,688</u>
 Total Liabilities and Surplus	 <u>\$2,771,879</u>

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

Premium and other revenue:	
Net premium income earned	\$ 9,913,907
Rebates	<u>285,216</u>
Total revenues	<u>\$10,199,123</u>
Hospital and medical claims incurred:	
Hospital/medical benefits	\$(7,459,128)
Other professional services	<u>(273,364)</u>
Subtotal	<u>\$(7,732,492)</u>
Net reinsurance recoveries	<u>432,628</u>
Total hospital and medical	<u>\$(7,299,864)</u>
Administrative and other expenses:	
General administrative expenses	<u>\$(2,336,483)</u>
Total underwriting deductions	<u>\$(9,636,347)</u>
Total underwriting gain	<u>562,776</u>
Investment income:	
Net investment income	\$ 453
Net realized capital gains	<u>2,352</u>
Net investment gains	<u>\$ 2,805</u>
Other carriers:	
Premiums collected	\$ 60,111
Premiums remitted	<u>(96,450)</u>
Net premiums collected	<u>\$ (36,339)</u>
Other Income	<u>\$ 279</u>
Net Income before Federal income taxes	\$ 529,521
Federal income taxes	<u>\$(4,023)</u>
Net income	<u>\$ 525,498</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as of December 31, 2016	<u>\$ 1,445,170</u>
Gains (Losses) in Surplus:	
Net income	\$ 525,498
Unrealized gains	<u>122,020</u>
Gain in Surplus	<u>\$ 647,518</u>
Surplus as of December 31, 2017	<u>\$ 2,092,688</u>

STATEMENT OF INCOME AND EXPENSES
FOR THE FIVE YEAR PERIOD ENDING DECEMBER 31, 2017

Premium and other revenue:	
Net premium income earned	\$ 46,820,738
Rebates	<u>604,995</u>
Total revenues	<u>\$ 47,425,733</u>
 Hospital and medical claims incurred:	
Hospital/medical benefits	\$(40,189,870)
Other professional services	<u>(803,039)</u>
Subtotal	<u>\$(40,992,909)</u>
Net reinsurance recoveries	<u>4,160,660</u>
Total hospital and medical	<u>\$(36,832,249)</u>
 Administrative and other expenses:	
General administrative expenses	<u>\$(10,119,567)</u>
Total underwriting deductions	<u>\$(46,951,816)</u>
 Total underwriting gain	<u>473,917</u>
 Investment income:	
Net investment income	\$ 60,592
Net realized capital gains	<u>98,398</u>
Net investment gains	<u>\$ 158,990</u>
 Other carriers:	
Premiums collected	\$ 263,516
Premiums remitted	<u>(434,330)</u>
Net premiums collected	<u>\$ (170,814)</u>
Other Income	<u>\$ 1,459</u>
 Net Income before federal income taxes	\$ 463,552
Federal income taxes	<u>\$ (12,667)</u>
Net income	<u>\$ 450,885</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as of December 31, 2012	\$ 701,438
Gains (Losses) in Surplus:	
Net income	\$ 450,885
Unrealized gains	122,020
Surplus adjustment - December 31, 2014	783,100
Surplus adjustment - December 31, 2015	<u>35,245</u>
Gain in Surplus	<u>\$ 1,391,250</u>
Surplus as of December 31, 2017	<u>\$ 2,092,688</u>

STATEMENT OF CASH FLOWS
FOR THE FIVE YEAR PERIOD ENDING DECEMBER 31, 2017

Cash from Operations:

Premiums collected net of reinsurance	\$10,206,046
Net investment income	122,473
Miscellaneous income	<u>277</u>
Total	<u>\$10,328,796</u>
Benefit and loss related payments	\$(7,503,826)
Administrative and general expenses paid	(2,287,606)
Federal income taxes paid (recovered)	<u>(4,023)</u>
Total	<u>\$(9,795,455)</u>
Net cash from operations	<u>\$ 533,341</u>

Cash from Investing:

Proceeds from investments sold matured or repaid:	
Stocks	\$ <u>2,352</u>
Cost of investments acquired:	
Bonds	\$ (700,000)
Stocks	<u>(300,000)</u>
Total	<u>\$(1,000,000)</u>
Net cash from investments	<u>\$ (997,648)</u>

Cash from Miscellaneous Sources:

Other cash applied	\$ (4,881)
Net cash from miscellaneous sources	<u>\$ (4,881)</u>

Net Change in Cash \$ (469,188)

Cash - Beginning of the Year	<u>\$ 663,869</u>
Cash - End of the year	<u>\$ 194,681</u>

SURPLUS AS REGARDS TO POLICYHOLDERS

The changes which resulted in the net decrease 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>Liabilities</u>			
IBNR Reserve	\$621,000	\$639,047	\$ (18,047)
Surplus per MEWA			<u>\$2,110,735</u>
Surplus per examination			<u>\$2,092,688</u>

During the period under review, surplus funds increased \$1,391,250 from the amount of \$701,438 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:

<u>IBNR Reserve</u>	<u>\$ 639,047</u>
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This liability was increased by \$18,047 to properly account for IBNR reserves that were recommended by an independent actuary in a report filed by the MEWA with their annual statement.

CONCLUSION

The cooperation and assistance extended by the officers and employees of PMCI Trust and affiliates is hereby acknowledged.

Respectfully submitted,

 /s/ Jerry P. Cihota
Jerry P. Cihota, CPA, CFE
Examiner Specialist
Iowa Insurance Division