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FILED

APR 20 2016 *VB*

Department of Insurance
State of Idaho

Attorneys for the Department of Insurance

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE
OF THE STATE OF IDAHO**

In the Matter of:

UNIVERSITY OF IDAHO HEALTH
BENEFITS TRUST

Idaho Registration No. 3857

Docket No. 18-3156-16

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2013**

The Idaho Department of Insurance (“Department”), having conducted an examination of the books, records, accounts, and affairs of University of Idaho Health Benefits Trust (“U of I Trust”), pursuant to Idaho Code §§ 41-4013 and 41-219(1), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code §§ 41-4013(3) and 41-227(5)(a), adopting the Report of Examination of University of Idaho Health Benefits Trust as of December 31, 2013 (“Report”), as filed.

FINDINGS OF FACT

1. U of I Trust is an Idaho-domiciled self-funded health care plan, which was duly

registered with the Department on January 30, 2008, under Registration No. 3857.

2. The Department completed an examination of U of I Trust, pursuant to Idaho Code §§ 41-4013 and 41-219(1), on or about February 16, 2016. The Department's findings are set forth in the Report, which covers the time period from January 30, 2008, through December 31, 2013.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report, verified under oath by the Department's examiner-in-charge, was submitted to the Director of the Department (Director), and a copy of such verified Report was transmitted to U of I Trust on February 18, 2016. A copy of the verified Report is attached hereto as Exhibit A.

4. Pursuant to Idaho Code § 41-227(4), U of I Trust had thirty (30) days from February 18, 2016, to make a written submission or rebuttal with respect to any matters contained in the Report. U of I Trust submitted a written response to the Department on or about March 18, 2016, taking exception with certain comments and findings of the examiner and requesting that they be stricken or modified. A copy of U of I Trust's March 18, 2016, response is attached hereto as Exhibit B. The Department responded to U of I Trust's written submission on April 4, 2016, acknowledging U of I Trust's concerns and requesting that U of I Trust provide the Department with additional information or documentation supporting its requested changes to the Report by no later than April 11, 2016. The Department's April 4, 2016, correspondence is attached hereto as Exhibit C. No further response from U of I Trust was received by the Department as of the date of entry of this Order.

CONCLUSIONS OF LAW

5. Pursuant to Idaho Code §§ 41-4013(3) and 41-227(5)(a), the Director has authority to make such corrections, changes, or modifications to the Report as the Director

deems appropriate. Idaho Code § 41-227(5)(a) provides that “[w]ithin thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals, the director shall fully consider and review the report, together with any written submissions or rebuttals and relevant portions of the examiner’s work papers” and shall enter an order adopting the report of examination as filed or with modifications or corrections.

6. Having fully considered the Report and U of I Trust’s written submission, the Director concludes that the findings contained in the Report are appropriate, with the exception of the paragraph concerning stop loss coverage, contained at page 10 of the Report, which is modified as set forth below.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED, pursuant to Idaho Code §§ 41-4013(3) and 41-227(5)(a), that the Report of Examination of University of Idaho Health Benefits Trust as of December 31, 2013, is hereby MODIFIED by deleting in its entirety the “Stop Loss Coverage” paragraph at page 10 of the Report and replacing it with the following:

STOP LOSS COVERAGE

The Plan has a specific excess of loss insurance agreement with Blue Cross of Idaho Health Service Inc. (BCI) that provides for coverage on losses in excess of \$200,000 annually with a maximum of \$2,000,000 per agreement period of 12 months that continues coverage during the 3 month run-out period. This coverage is provided as part of the terms of the Administrative Services Agreement whereby BCI is the Third Party Administrator (TPA) for the Plan. In addition, an aggregate excess loss coverage with a 125% attachment factor is provided for a fee per enrollee per month for covered services. This policy covers 90% of claims above the 125% attachment point.

IT IS HEREBY FURTHER ORDERED, pursuant to Idaho Code §§ 41-4013(3) and 41-227(5)(a), that the remainder of the Report of Examination of University of Idaho Health Benefits Trust as of December 31, 2013, is hereby ADOPTED as filed.

IT IS FURTHER ORDERED, pursuant to Idaho Code §§ 41-4013(3) and 41-227(8), that the adopted Report is a public record and shall not be subject to the exemptions from disclosure provided in title 74, chapter 1, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, U of I Trust shall file with the Department's Deputy Chief Examiner affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report and related orders.

IT IS SO ORDERED.

DATED this 19 day of April, 2016.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 20th day of April, 2016, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2013 to be served upon the following by the designated means:

University of Idaho Health Benefits Trust
John Keatts, Chairman of the Board of Trustees
875 Perimeter Drive, MS 3166
Moscow, ID 83844-3166
johnk@uidaho.edu

- first class mail
- certified mail
- hand delivery
- email

Georgia Siehl, CPA, CFE
Bureau Chief / Chief Examiner
Idaho Department of Insurance
700 W. State Street, 3rd Floor
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- first class mail
- certified mail
- hand delivery
- email



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

UNIVERSITY OF IDAHO HEALTH BENEFITS TRUST
(Self-Funded Health Care Plan)

As of

December 31, 2013

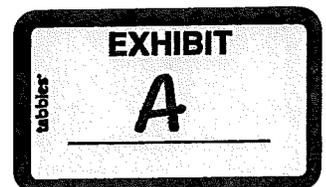


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February 16, 2016

The Honorable Dean L. Cameron
Director of Insurance
State of Idaho
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Section 41-219 (1), Idaho Code, we have conducted an examination as of December 31, 2013 of the financial condition and corporate affairs of:

University of Idaho Health Benefits Trust
875 Perimeter Drive, MS 3166 Moscow, ID 83844-3166

hereinafter referred to as the "Plan", at its offices in Moscow, Idaho. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our single state examination of University of Idaho Health Benefits Trust. This examination covered the period from their date of registration, January 30, 2008 (inception) to December 31, 2013.

Examination Procedures Employed

Our examination was conducted in accordance with Sections 41-219(1) and 41-4013(1), Idaho Code. Due to the nature of the Plan, the examination was not conducted as a risk-focused examination; however, procedures from the NAIC *Financial Condition Examiners Handbook* were utilized and customized as appropriate for this examination.

The Trust retained the services of a certified public accounting firm, Eide Bailly, to audit its financial records for the years under examination. The firm provided the examiner with access to requested work papers prepared in connection with its audits. The external audit work was relied upon where deemed appropriate.

All accounts and activities of the Plan were considered during the examination process. The initial phase of the examination focused on evaluating the Plan's corporate governance and control environment, as well as business approach, in order to develop an examination plan tailored to the Plan's individual operating profile.

Interviews were held with the Manager, General Accounting and key management personnel of the plan sponsor, University of Idaho, to gain an understanding of the Plan's operating profile and control environment.

The examination relied on the findings of the actuarial firm contracted by the Department to evaluate rate calculation and reserves.

Status of Prior Examination Findings

This is the first comprehensive examination of the Plan since inception.

SUMMARY OF SIGNIFICANT FINANCIAL FINDINGS

Our examination did not disclose any material adverse financial findings or any adjustments that impacted the Plan's reported surplus.

PLAN HISTORY

General

The University of Idaho Health Benefits Trust (the "Plan") was established by the University of Idaho on June 26, 2007 into provide a self-funded health benefit plan for its faculty, staff, eligible dependents, and retirees (the "Participants"). The Plan is managed and administered by four trustees.

The Plan provides medical, dental, vision, and pharmacy benefits for eligible members as specified in the Plan. All medical and dental benefits are provided from the assets of the Plan which are funded by enrollee and employer contributions.

The Plan began operations effective the date of registration, January 30, 2008 by offering health benefits to all full and part-time employees and their dependents, and University retirees. All University of Idaho employees electing medical benefits are also eligible for dental, vision, and prescription drug coverage as part of their package. The Plan is funded jointly through employee and employer contributions.

Contributions and Rates

The examination noted that the contribution rates set by the University of Idaho are not supported by an actuarial study. As of December 31, 2013 and subsequent; the contribution rates for the employer (University of Idaho) and employees and retirees are determined by the University of Idaho (University).

There is no set contribution rate for the employer. The University of Idaho as employer/plan sponsor contributes an amount equivalent to the amount of claims benefits previously incurred and paid by the various TPAs, less the current employee & retiree contributions received in the weeks prior to the receipt of a benefit invoice billed by the TPA. This employer contribution "rate" represents a "reimbursement" of actual costs incurred and paid by contracted TPAs monthly. It is not an actuarially determined rate.

Effective July 1, 2013 the Plan is required by Idaho Code §41-4004 (2) (a) to submit an actuarial study calculating new rates for the next plan year or more frequent period if there are any midterm rate changes to the Department for review and approval. The Plan has not submitted to the Director an actuarial study calculating new rates for plan years 2013 through 2015. Therefore, the

contribution rates for 2013 and 2015 have not been reviewed and approved 30 days before their effective date.

Idaho Code §41-4004 (1) (a) requires all contributions to be paid in advance and to be deposited in and disbursed from a trust fund duly created by a written irrevocable trust agreement between the...employer and the trustee ... Since there are no actuarial studies conducted for the years 2009 through 2015, there is no predetermined rate that can be paid in advance for the plan years 2009 through 2015. Based on this premise, the amount and payment of employer contribution is made after the Plan receives the actual benefit invoices and is determined solely by the deficiency between claims already incurred and paid by the TPA and employee contributions to the Plan.

Idaho Code §41-4014 (1) states that...any person acting as a trustee is a fiduciary acting on behalf of the beneficiaries of the plan and the trust fund in such capacity...an employer... as a plan sponsor of a self-funded plan shall be neither a trustee nor an administrator of such plan. By paying contributions only when actual benefits are due and not using actuarially determined rates that are in compliance with Idaho Code requirements, it may not be possible for the Plan to know whether it has sufficient assets to cover moderately adverse experience and all cost of operations. This arrangement also permits the University of Idaho, as plan sponsor, to retain control over the Plan contrary to what is required in Idaho Code §41-4014 (1). (*See Comments and Recommendations Item A.*)

PLAN RECORDS

The Trust Agreement established the number of Trustees at four (4). The meetings of the Board of Trustees (Trustees) appeared to be conducted on a quarterly basis or otherwise as needed for all the years under examination, although no written schedule of meetings was provided. It was noted that a number of meetings were held via phone conferencing with email documentation and confirmation of discussions and actions taken. The minutes of the meetings of the Board of Trustees were reviewed for the examination period and subsequent thereto through July 2014. The review of minutes indicated that a quorum was present at all Board of Trustee's meetings held during the examination period and significant transactions and events were properly discussed and authorized or approved.

MANAGEMENT AND CORPORATE GOVERNANCE

Trust Agreement

The Trust Agreement sets forth the purpose of the Trust, administration of the Plan, capitalization, Board of Trustee terms, functions and powers, regular meetings, and fiduciary standards, among other conditions. The Trust Agreement was filed with the Department as part of the application process set forth under Section 41-4005(2) (g), Idaho Code. The Plan is currently working with the Department to bring the Trust Agreement into compliance with Idaho Code. (*See Comments and Recommendations Item B.*)

Trustees

The Plan does not have officers and employees. Trustees currently serving in these positions as of December 31, 2013:

Name	Principal Occupation
John Keatts	Manager General Accounting, University of Idaho
Jeff Young	Professor, UID
Bruce Pitman	Vice Provost, Dean of Students, UID
Cheryl Sodorff	Director, Administrative Services, UID

The term of each Trustee position shall be continuous until the resignation, termination, death, or the Trustee is unwilling or otherwise unable to serve. On April 2013, Joy Fisher resigned as trustee and was replaced by Cheryl Sodorff who assumed the position as trustee in September 2013. Subsequent to the examination period, Mr. Pitman retired in September 2014 and was replaced by Cindy Johnson. Pursuant to Idaho Code §41-4004 (2), after registration of the plan, in addition to the required quarterly and annual filings and other requirement, the trustee shall file the following documents with the director for his review and approval not less than thirty (30) days before the effective date thereof, "... Any change in the trustee or trustees, officers, or management of the Plan, which notice shall include biographical affidavits of any new trustee, officer or management personnel." The Department did not receive a 30 day notice before Bruce Pitman and Joy Fisher retired. Additionally, the Department did not receive the biographical affidavits 30 days before Cheryl Sodorff and Cindy Johnson assumed their position as trustees of the Plan. (*See Comments and Recommendations Item C.*)

Conflict of Interest

Idaho Code § 41-4015 provides for prohibited pecuniary interests in plan management. The Plan does not have a process in place to ensure compliance with Idaho Code § 41-4015, or any other conflicts of interest that might be in existence. However, the Trustees prepared and submitted conflict of interest affidavits to the examiners upon request subsequent to the period under examination.

Administrative Services Agreement

To administer the benefits for the health benefit plan, the Trustees entered into an administrative services agreement to adjudicate and pay claims on behalf of the Plan that are incurred by the Plan beneficiaries.

At inception, the Plan entered into an administrative agreement with Blue Cross of Idaho Health Service, Inc. (BCI), which automatically renews for successive twelve (12) month periods. The administrative agreement was executed by University Regents on behalf of the plan rather than by a Trustee of the Plan. In this agreement BCI agrees to provide general administrative services and medical benefit payment services to the Plan. In return, the Plan agrees to pay BCI monthly administrative fees, which are calculated on a per enrollee per month basis. Administrative fees are outlined in Appendix A of the agreement. Additional administrative fees are charged for behavioral

health management services, nurseline administrative fee, telephonic coaching, population health management, actuarial services, and other reports. (See comments under caption *Stop Loss Coverage*.)

Other Contracts

Self-funded Dental Benefits. The Plan began offering dental benefits effective January 1, 2013. The University of Idaho, as opposed to the Plan itself, entered into a service agreement with Delta Dental of Idaho, whereby Delta Dental of Idaho will provide all of the administrative services related to the “dental plan of the University of Idaho.” Administrative fees are charged to the University of Idaho based on a set fee per employee covered per month, but are paid by the Plan.

Prescription Drug Benefits - Retirees. At inception, the Plan had an administrative agreement with Blue Cross of Idaho to administer prescription drug benefits for the Plan’s retirees. On January 1, 2013, the University of Idaho, as opposed to the Plan itself, entered into an Employer Group Waiver Plan Agreement with SilverScript Insurance Company (SilverScript). In this agreement SilverScript will make available pre-enrollment material for the prescription drug plan, issue SilverScript evidence of coverage, and other documents as required by CMS to client retirees enrolled in the plan. The agreement also specifies that Silver Script shall pay pharmaceutical company rebates to the University of Idaho, as opposed to the Plan who funded the claims, along with the beneficiaries co-pay. Administrative fees and claims reimbursement billing was invoiced by SilverScript to the University of Idaho, but are paid for by the Plan.

Prescription Drug Benefits-Employees and Dependents. At inception, the Plan had an administrative agreement with Blue Cross of Idaho to administer prescription drug benefits for the Plan’s beneficiaries. Effective June 25, 2013, the University of Idaho, as opposed to the Plan itself, entered into a Prescription Benefits Services Agreement with CVSCaremark. In this agreement CVSCaremark will provide prescription benefit management and related services with respect to the University of Idaho’s health benefits plan. The agreement also specifies that CVSCaremark shall pay pharmaceutical company rebates to the University of Idaho, as opposed to the Plan who funded the claims, along with the beneficiaries co-pay. The administrative fees charged to the University of Idaho including benefit payments are paid for by the Plan.

The pharmaceutical rebates received by the University of Idaho under its contracts with CVSCaremark and SilverScript are deposited into a University of Idaho account. The University includes these funds as part of the normal contributions it makes to the Plan to cover claims reimbursement billings. There were no recorded transactions between the University and the Plan that were directly related to pharmaceutical rebates because the rebates formed part of the total fund used by the University to pay contributions, as noted under the section *Contributions and Rates*.

Vision Benefits. At inception, the Plan had an administrative agreement with Blue Cross of Idaho to administer vision benefits for the Plan’s beneficiaries. Effective April 5, 2012, the University of Idaho, as opposed to the Plan itself, entered into an administrative agreement with Ameritas Life Insurance Corp. (Ameritas). In this agreement, Ameritas will administer the employee eye care benefit plan from enrollment to processing claims payment and determination of benefits applicable

to covered employees and their dependents. Retirees are not eligible for vision benefits. Ameritas offers Vision Perfect and Focus Eyecare Plan serviced by Vision Service Plan. Reimbursement of benefits and administrative fees outlined in the agreement and charged to the University of Idaho is paid for by the Plan.

Pursuant to Idaho Code § 41-4005(2)(g), the Department requires a copy of every contract between the plan and any administrator, trustee (effective for changes after July 1, 2013), or service company. Any amendments or changes made to administrative, service, or management agreement shall be filed with the Department for review and approval not less than thirty (30) days before the effective date as required by Idaho Code § 41-4004(2)(d). (*See Comments and Recommendations Item E.*)

FIDELITY BOND AND OTHER INSURANCE

All insurance protections are provided to the Plan as an extension of the University of Idaho policies. A fiduciary fidelity bond for the protection of the Plan was maintained through the period under examination with Federal Insurance Company. The fiduciary fidelity bond coverage maintained by the University of Idaho for the Plan did not meet the requirements specified in section 41-4014(3), Idaho Code.

Pursuant to Idaho Code §41-4014 (3), the trustee shall obtain a fidelity bond, or coverage deemed by the director to be equivalent to a fidelity bond, in the name of the self-funded plan. The purpose of the fidelity bond or coverage is to protect the Plan against acts of fraud and dishonesty by the Plan's trustees, directors, officers and employees in connection with the trust fund or plan.

Pursuant to IDAPA 18.01.27.02, Cancellation of Bond Requirements, the bond must contain language stating that it is noncancellable except upon not less than thirty (30) days advance notice in writing to the trustee and the Director. A copy of any notice cancelling a bond required under Chapter 40, Title 41, Idaho Code, is to be forwarded to the Director by the surety at the same time it is forwarded to the trustee.

The examination noted the following:

a.) The Plan is insured by an Executive Protection Portfolio policy issued by Federal Insurance Company against loss of money, securities or property as a result of theft, forgery and other crimes committed by an employee or third party.

b.) The Plan does not have employees.

c.) The trustee cannot be considered an employee of the Plan based on the definition of an employee in the policy language and, therefore, may not be covered in the event of a claim.

d.) The policy excludes coverage for loss or damage due to theft or forgery, computer fraud, fund transfer fraud, money orders and counterfeit currency fraud, credit card fraud or other fraudulent and dishonest or criminal act (other than robbery or safe burglary)

committed by any authorized representative of an insured. The trustee is an authorized representative of the Plan.

e.) The policy does not contain language that it is noncancellable except upon not less than thirty days advance notice in writing to the trustee and the Director.

The Director does not deem this coverage the equivalent to a fidelity bond as required by code. (*See Comments and Recommendations Item D.*)

STOP LOSS COVERAGE

The Plan has a specific excess of loss insurance agreement with Blue Cross of Idaho Health Service Inc. (BCI) that provides for coverage on losses in excess of \$250,000 annually with a life-time maximum of \$2,000,000. This coverage is provided as part of the terms of the Administrative Services Agreement whereby BCI is the Third Party Administrator (TPA) for the Plan. In addition, an aggregate excess loss coverage with a 125% attachment factor is provided for a fee per enrollee per month for covered services. This policy covers 90% of claims above the 125% attachment point.

TERRITORY AND PLAN OF OPERATION

The Plan only provides health benefits for the University of Idaho employees, dependents and retirees, and is only registered in the state of Idaho.

ACCOUNTS AND RECORDS

General Accounting

The Plan's accounts and records are maintained by its Sponsor and administrator, the University of Idaho. The financial reports are prepared on a GAAP basis pursuant to Section 41-4011(2), Idaho Code. Claim checks are distributed through the third party administrator. There are no employees and the only expenses are incurred as a part of the contracts with TPAs. On a monthly basis, the Plan is invoiced by the TPAs for claims paid plus the related administrative fees. Reports of claims incurred and paid are tendered to the Plan by the TPAs monthly.

Contributions are paid bi-weekly by participants through payroll deduction. University contributions are paid monthly in arrears based on claims paid information received from the TPAs. On a quarterly basis, financial statements are prepared and reflect unpaid claims liabilities as well as estimated IBNR.

On April 2011, the University of Idaho and the Plan agreed to transfer \$1,000,000 from the trust fund to the University of Idaho. In 2012, the University of Idaho decided to reduce its projected contribution by \$735,000. *(See Comments and Recommendations Item G)*

Our examination noted that the Plan does not have separate employees. All service and ministerial duties and responsibilities incidental to Plan operations are conducted by University employees, with some of these under the direction of the University Manager, General Accounting – John Keatts, who is also serving as a trustee. Some of these duties are under the direction of other University personnel who do not report to Mr. Keatts. There is no written agreement in place that defines the nature and scope of work, or describes the duties, responsibilities and compensation, if any, to the University for handling such ministerial functions for the Plan.

Additionally, some of the services performed by University staff go beyond ministerial duties on behalf of the Plan. They imply actual control of the Plan by the University, which is not permitted under Idaho Code §41-4014(2). Some examples of evidence of control include, but are not limited to:

- The University maintains books and records of the Plan and the trustees were not able to provide them to the examiners in a timely manner, but indicated they needed the University's permission to access and provide them to the examination;
- Contracts with entities providing services to the Plan were prepared and signed by the University, not the trustees;

Independent Accountants

The annual independent audits of the Plan for the years 2009 through 2013 were performed by Eide Bailly (certified public accountants), Boise, Idaho. The financial statements in each report were prepared in conformity with generally accepted accounting. The Examiners reviewed all work papers prepared in conjunction with the 2013 audit and relied upon procedures performed during that audit in determining the scope, extent and depth of review required in performing the regulatory financial examination.

Actuarial Consultants

The Plan contracts with independent actuaries to develop its claim liabilities, claim reserves, and a portion of its contribution schedules. Annually, the University works closely with their consulting actuaries, rather than the trustees, assists in determining active employee and retiree contribution rates. Quarterly, the actuarial consultants prepare IBNR and claims reserve analysis for the purpose of preparing financial statements and determining compliance with Idaho statutes regarding minimum surplus requirements.

Actuarial Certification

Actuarial certifications were prepared for each year under examination by Daniel Levin, Buck Consultants for incurred but not paid (IBNP) claims. The IBNP claims reserve indicated by actuarial certification as of December 31, 2013 was \$2,139,000.

SUBSEQUENT EVENTS

Subsequent to December 31, 2013 and prior to the report date, the Plan is currently working with the Department to bring the Trust Agreement into compliance with chapter 40, title 41, Idaho Code and IDAPA 18.01.27.

FINANCIAL STATEMENTS

The financial section of this report contains the following statements:

Balance Sheet as of December 31, 2013

Statement of Changes in Net Assets Available for Benefits

The Trustees are responsible for the preparation of these financial statements in accordance with generally accepted accounting principles; including the design, implementation, and maintenance of internal controls relevant to the preparation such that they are free from material misstatement, whether due to fraud or error. Accordingly, the following financial statements are for the period ended December 31, 2013.

Balance Sheet
As of December 31, 2013

ASSETS

Cash	\$ 193,438
Investments	
Money Market Funds	
U.S. Govt. Agency Securities	2,728,634
Corporate Securities	
Receivables	
Accounts Receivable	800,000
Interest	17,697

LIABILITIES

Accounts Payable	733,964
IBNR Liability	2,139,000

SURPLUS

Net Assets Available for Benefits	<u>\$ 866,805</u>
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*Statement of Changes in Net Assets Available for Benefits
For all the years under examination*

	2013*	2012	2011	2010	2009	2008	2007
NET ASSETS BEGINNING OF YEAR	\$ 940,227	\$ 1,408,084	\$ 2,064,842	\$ 2,141,195	\$ 3,616,771	\$ 2,413,257	\$ 2,413,257
ADDITIONS							
Contributions- Employer (Note 3)	16,526,739	15,257,281	13,638,605	14,947,836	13,051,378	12,083,737	
Contributions- Plan Members	5,189,034	4,646,405	4,710,283	4,242,784	4,071,607	6,268,539	
Interest	-31,215	85,226	-110,329	162,943	167,140	174,191	
Realized gain/loss on investments	-	3,927	1,773	-4,564	-4,889	-	
Unrealized gain on investments	-	-	116,894	88,993	35,878	-	
Total Additions	\$ 21,684,558	\$ 19,992,839	\$ 18,577,884	\$ 19,437,992	\$ 17,321,114	\$ 18,526,467	
DEDUCTIONS							
Insurance Claim Benefits	18,447,461	17,243,579	16,611,352	16,793,921	15,989,549	17,015,326	
Change in IBNR	288,000	161,000	-128,000	130,000	255,500	295,000	
Net Decrease in Fair Investment Earnings	-	9,373	-	-	-	2,296	
Administrative Expenses	3,022,519	2,894,260	2,751,290	2,590,424	2,551,641	10,330	
Total Deductions	\$ 21,757,980	\$ 20,308,212	\$ 19,234,642	\$ 19,514,345	\$ 18,796,690	\$ 17,322,952	
Net Income (Loss)	-\$73,422	-\$315,373	-\$656,758	-\$76,353	-\$1,475,576	\$1,203,515	
Adjustment for misstatements in 2012 financial statements (Note 1)	152,484						
NET ASSETS/SURPLUS END OF YEAR	\$ 866,805	\$ 1,092,711	\$ 1,408,084	\$ 2,064,842	\$ 2,141,195	\$ 3,616,772	\$ 2,413,257

NOTES TO FINANCIAL STATEMENTS

The financial statements presented herein are prepared using GAAP – Generally Accepted Accounting Principles, with the claims reserves determined by independent actuaries. Accounts are maintained by University of Idaho personnel. As of December 31, 2013, the Plan is in compliance with minimum Idaho surplus requirements.

Note 1 – IBNP Liability

The IBNP claims reserve indicated by actuarial certification as of December 31, 2013 was \$2,139,000. This amount exceeded the IBNP claims determined by the Department's Actuarial Examiner by \$118,045. No adjustment is recommended and review of the IBNP claim reserve by the examining actuary determined the actuarial methodology utilized in the reserve process to be reasonable.

Note 2 – Adjustments for 2012 misstatement

In 2013, the 2012 financial statements were found to contain misstatements related to the estimated claims liability and claims payable, creating a net adjustment to reduce net assets at the end of 2012 in the amount of \$152,484. This adjustment was recorded in the 2013 audited statements.

Note 3 – Employer Contributions

During 2011, the University felt that the Plan had more surplus than it needed, so it requested, and the Trustees agreed, to give \$1,000,000 of trust fund monies to the University. This is a violation of Idaho Code. See Idaho Code §§ 41-4004(1)(a) and 41-4008. Subsequent to these events and the Department's inquiries and learning that the Trust had dispersed funds to the University, the Trustees asserted that this would not happen again. However, the funds were never returned to the trust fund. (*See Comments and Recommendations Item B*). In 2012, the University decreased its projected contributions to the trust fund by a total of \$735,000.

COMMENTS AND RECOMMENDATIONS

The following comments and recommendations were made as a result of the financial examination of the University of Idaho Health Benefits Trust.

A. Contributions and Rates

The examination noted that the contribution rates for beneficiaries are set by the plan sponsor, the University of Idaho, and are not supported by an actuarial study and calculation that complied with Idaho Code. No actuarial study or rate changes were submitted to the Department within the period under examination or subsequent.

The Idaho Code, as it existed at the inception of the Plan, and as revised July 1, 2013, required that the trust fund be actuarially sound and that a qualified actuary determine adequate rates for the plan. (See Idaho Code §§ 41-4004(5) and 41-4005(2)(e) (effective prior to July 1, 2013) and Idaho Code §§ 41-4004(1)(e), 41-4004(2)(a) and 41-4005(2)(e)). Since the inception of the Plan, the contribution rates for the employer (University of Idaho), employees and retirees have been determined by the University of Idaho and not the Trustees. Nor does it appear as if the rates have been calculated by a qualified actuary. Although requested, the Plan did not provide the examination an explanation of how the University of Idaho determines contribution rates for its employees and retirees. The Department has not reviewed or approved employee and retiree rates for plan years 2009 through 2015 because the employee and retiree contribution rate study (if one exists) for each plan year was not submitted to the Department. There is no indication that the Trustees used an actuary to calculate the rates for the employees, retirees and employer, as required by Idaho Code § 41-4004 (2) (a) (effective July 1, 2013), or as required by the older code section, Idaho Code § 41-4005(2)(e), "A copy of an actuarial study prepared by a qualified actuary determining adequate rates for the plan." Idaho Code § 41-4005(2)(e) remains applicable to the Plan following registration and was not a one-time compliance hurdle for registration. The Department did not receive any rate filings even after this requirement was made mandatory.

As noted, there is no set contribution rate for the employer (University of Idaho). The Trustees allow the University of Idaho to deposit an amount equivalent to the difference between the amount of benefits/claims previously processed and paid by the various TPAs, less the current employee and retiree contributions received in the weeks prior to the receipt of a TPA invoice for benefits paid. This process ignores an employer contribution "rate" in the traditional sense, as an amount attributable to the employer's anticipated cost. Instead it represents a "reimbursement" of actual costs previously incurred by the beneficiaries and paid by contracted TPAs monthly.

This process used by the Plan raises several concerns and appears to be in violation of Idaho Code requirements:

a.) Idaho Code § 41-4004(1)(e) requires the Plan to use a qualified actuary to calculate its initial rates and, then, per Idaho Code § 41-4004(2)(a), to submit an actuarial study as described in Idaho

Code § 41-4004(1)(e) calculating new rates for the next plan year or more frequent period if there are any midterm rate changes to the Department for review and approval. The Plan has not prepared an actuarial study calculating new rates subsequent to its registration in 2008 and, after changes to the Code, effective July 1, 2013, for plan years 2013 through 2015 has not prepared or submitted actuarial study to the Director. Therefore, the contribution rates for 2013 through 2015 have not been submitted, reviewed or accepted 30 days before the effective date of any rate changes, in violation of the Code requirements.

b.) Idaho Code § 41-4004(1)(a) “requires all contributions to be paid in advance and to be deposited in and disbursed from a trust fund duly created by a written irrevocable trust agreement between the employer.... and the trustee, that meets the terms of this chapter.” Since there was no actuarial study conducted for the plan years 2009 through 2015, there was and is no predetermined rate that can be paid in advance. Once the Plan accumulated a certain amount of surplus, payments from the University became based on a cash flow only basis and it only contributes an amount of claims paid in arrears. Based on this practice, the payment of employer contribution is made after the Plan receives the actual TPA invoices for claim benefits already reported to and paid by the TPA. This is contrary to the requirement that rates be actuarially determined and contributions paid in advance.

c.) Idaho Code § 41-4014(1) states that “Any person acting as a trustee is a fiduciary acting on behalf of the beneficiaries of the plan and the trust fund in such capacity.” Idaho Code § 41-4014(2) provides that “An employer participant in the plan shall be neither a trustee nor the administrator. “The trustees are permitting the University of Idaho, as a plan sponsor, to retain control over the Plan contrary to the requirements of Idaho Code § 41-4014(1) and (2) by among other things, (i) failing to establish actuarially determined rates.,(ii) paying contributions only when actual reimbursement for benefits paid are due rather than in advance.

Recommendation:

It is recommended that the Trustees:

a.) **Annually utilize a qualified actuary to prepare an actuarial study, calculate and certify that the rates for the Plan are sufficient to cover moderately adverse experience and all cost of operations for the next Plan year or more frequent period. The actuary should calculate actuarially justified rates for the beneficiaries of the plan. The Trustees should require that the full per member per month or for other period established by the Board of Trustees rate amount be deposited by the employer in the Trust account in advance of the month for which benefits are provided. The plan sponsor can determine what the employee or retiree share of the monthly contribution rate should be but it must pay the difference, in advance, on a monthly basis or for other period established by the Board of Trustees. The actuarial study and rate calculation shall be submitted not less than 30 days before the effective date thereof, in compliance with Idaho Code §41-4004 (2).**

b.) **Revise the process of the University's contribution payments to require that contributions be paid consistently in advance for the month that the benefits will cover, and not after the actual benefits are paid in order to be in compliance with Idaho Code §41-4004 (1) (a).**

c.) **Assume the responsibility to ensure that rates are calculated by an actuary in compliance with Idaho Code and that the plan sponsor transfer the entire amount of contributions to the Plan in advance of the period for which the benefits cover. The decision making duties of a Trustee cannot be delegated to the plan sponsor.**

B. Trust Agreement

As of December 31, 2013 and subsequent, the Plan does not have an irrevocable trust agreement that reflects compliance with chapter 40, title 41, Idaho Code.

The Department is currently working with the Plan legal counsel to bring the Trust Agreement into compliance with the provisions set forth in chapter 40, title 41, Idaho Code.

Recommendation:

It is recommended that the Plan amend its irrevocable Trust Agreement with the plan sponsor so that it is brought into compliance with the provision of chapter 40, title 41, Idaho Code.

C. Biographical Affidavits

Our examination identified the following as Members of the Board of Trustees of University of Idaho Health Benefits Trust (Plan) for the years under examination June 2007 – December 2013 and subsequent:

- Bruce Pitman (Resigned, September 2014)
- Joy Fisher (Resigned, April 2013)
- John Keatts
- Jeff Young
- Cheryl Sodorff (Joined, September 2013)
- Cindy Johnson (Joined, September 2014)

Pursuant to Idaho Code §41-4004 (2), effective July 1, 2013 after registration of the plan, in addition to the required quarterly and annual filings and other requirements...the trustee shall file the following documents with the director for his review and approval not less than thirty (30) days before the effective date thereof: ... (g) Any change in the trustee or trustees, officers, or management of the trust, which notice shall include biographical affidavits of any new trustee, officer or management personnel. Please note that Idaho Code §41-4004 (2) (g) was added, effective July 1, 2013, so that Trustees would understand that biographical affidavits and notices were required for new Trustees who came on subsequent to the admission application, which also requires Trustee biographical affidavits. It has always been the Department's position that a Plan

remain in compliance with the registration requirements, including filing biographical affidavits for new Trustees.

Furthermore, the Department did not receive a 30-day prior notice that Bruce Pitman resigned effective September of 2014. Similarly, the Department did not receive notice of the resignation of Joy Fisher in April of 2013. However the Department acknowledges that the Plan may not have understood that it should have provided notice with the resignation of Joy Fisher, since her resignation occurred prior to the amended Code becoming effective. Additionally, the Department did not receive the biographical affidavits 30 days before Cheryl Sodorff and Cindy Johnson assumed their position as trustees of the Plan.

On January 14, 2015, Richard Burleigh, Attorney for the Department of Insurance sent a letter via email to Jeff Mandel, Legal Counsel for the Plan, in response to his letter dated January 8, 2015 seeking clarification regarding the requirement to file biographical affidavits for new trustees. Mr. Burleigh's letter instructed Mr. Mandel to arrange to have the Plan file the biographical affidavits for the new trustees, Cheryl Sodorff and Cindy Johnson, with the Department.

As of July 1, 2013 and subsequent, the Plan is not in compliance with Idaho Code §41-4004 (2) (g).

Recommendation:

Subsequent to the examination period, the Plan submitted the biographical affidavit for Cindy Johnson. It is recommended that in the future, the Plan file the current version of the Form 11 biographical affidavit for new trustees pursuant to Idaho Code §41-4004 (2) (g).

D. Fidelity Bond Coverage

Pursuant to Idaho Code §41-4014 (3), the trustee shall obtain a fidelity bond, or coverage deemed by the director to be equivalent to a fidelity bond, in the name of the self-funded plan. The purpose of the fidelity bond or coverage is to protect the Plan against acts of fraud and dishonesty by the Plan's trustees, directors, officers, employees and anyone handling its funds in connection with the trust fund or plan.

Pursuant to IDAPA 18.01.27.02, Cancellation of Bond Requirements, The bond must contain language stating that it is noncancellable except upon not less than thirty (30) days advance notice in writing to the trustee and the Director. A copy of any notice cancelling a bond required under Chapter 40, Title 41, Idaho Code, is to be forwarded to the Director by the surety at the same time it is forwarded to the trustee.

The examination noted the following:

a.) The Plan is insured by an Executive Protection Portfolio policy issued by Federal Insurance Company against loss of money, securities or property as a result of theft, forgery and other crimes committed by an employee or third party.

b.) The Plan does not have employees.

c.) The trustee cannot be considered an employee of the Plan based on the definition of an employee in the policy and, therefore, may not be covered in the event of a claim.

d.) The policy excludes coverage for loss or damage due to theft or forgery, computer fraud, fund transfer fraud, money orders and counterfeit currency fraud, credit card fraud or other fraudulent and dishonest or criminal act (other than robbery or safe burglary) committed by any authorized representative of an insured. The trustee is an authorized representative of the Plan. e.) The policy does not contain language that it is noncancellable except upon not less than thirty days advance notice in writing to the trustee and the Director.

The Director does not deem this coverage the equivalent to a fidelity bond as required by code.

Recommendation:

It is recommended that the trustees secure a fidelity bond, or equivalent coverage, that includes the protections and requirements specified in Idaho Code §41-4014 (3) and the language required in IDAPA 18.01.27.02. The trustees and others who handle the funds of the trust should be specifically named in the bond as covered persons for duties and responsibilities performed pursuant to the Plan's business affairs

E. Administrative Services and Contracts

The examination noted that the Plan does not have separate employees. All services and ministerial duties and responsibilities incidental to Plan operations are conducted by University employees, with some of these under the direction of the University Manager, General Accounting – John Keatts, who is also serving as a trustee; and some of these duties are under the direction of other University personnel who do not report to Mr. Keatts. There is no written agreement in place that defines the nature and scope of work, or describes the duties, responsibilities and compensation, if any, to the University for handling such ministerial functions for the Plan.

Additionally, some of the services performed by University staff go beyond ministerial duties on behalf of the Plan. They imply actual control of the Plan by the University, which is not permitted under Idaho Code §41-4014(2). Some examples of evidence of control include, but are not limited to:

- The University maintains books and records of the Plan and the trustees were not able to hand them over to the examiners in a timely manner but indicated they needed University's permission to access and provide them to the examination;
- Contracts with entities providing services to the Plan were prepared and signed by the University, not the trustees;

- The minutes of the Board of Trustees indicated little decision making and implied University would be making decisions.

Pursuant to Idaho Code §41-4005 (2) (g), the Department requires a copy of every contract between the plan and any administrator, trustee, or service company. Any amendments or changes made to administrative, service, or management agreement shall be filed with the Department for review and approval not less than thirty (30) days before effective date as required by Idaho Code §41-4004 (2) (c).

Recommendation:

It is recommended that the Plan execute one or more written service agreements with the University that provide detailed explanation of the services to be provided to the Plan, who will provide the services and the fee (if any) for such services. All agreements (and any subsequent amendments thereto) are to be submitted to the Department not less than 30 days before the effective date of such agreement (or amendment) in compliance with Idaho Code §41-4005 (2) (g) and §41-4004 (2) (c).

Specifically, the service agreement should address in writing some issues that came to the attention of the examination.

1. The agreement should require University personnel working on Plan activities to comply with all HIPAA privacy laws.
2. The agreement should clarify that all books and records related to the Plan, which University personnel work on or create, are the property of the Plan and should be made readily available to the Trustees and Department examiners.
3. To the extent any existing agreements give direct or implied authority to the University to make control level decisions on behalf of the Trustees, it is recommended that these agreements be amended to remove such direct or implied control by the University.
4. The Trustees should keep adequate and complete Board minutes demonstrating that control of the Plan rests with the Trustees and not the University.

It was noted that the Department and the Trustees are working together to amend the Trust Agreement to be in line with Idaho Code requirements with emphasis on the control of the Plan.

F. Accounts and Records

During 2011, the University concluded that the Plan had more surplus than it needed, so the University and the Trustees agreed to give \$1,000,000 of trust fund monies to the University. This is a violation of Idaho Insurance Code. See Idaho Code §§ 41-4004(1)(a) and 41-4008, . Subsequent to the Department inquiries and learning that the Trust had dispersed funds to the

University, the Trustees asserted that this would not happen again. However, the funds were never returned to the trust fund.

Recommendation:

It is recommend that the Plan amend its irrevocable Trust Agreement with the plan sponsor so that it includes language prohibiting the Trustees from transferring trust funds to the Plan Sponsor or any entity other than for the payment of services rendered under a written, filed agreement.

ACKNOWLEDGEMENT

Scott Garduno, FSA, MAAA, of Taylor-Walker & Associates, Inc. performed the actuarial portion of the examination. Hermoliva B. Abejar, CFE of Idaho Department of Insurance supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Plan.

Respectfully submitted,

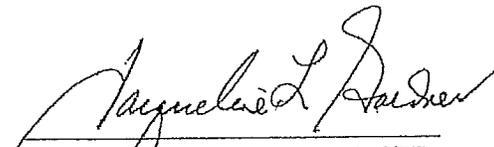
Jacqueline L. Gardner

Jacqueline L Gardner, FLMI, CFE
Risk & Regulatory Consulting
Examiner-in-Charge
Representing the Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

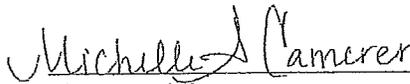
State of Minnesota
County of Ramsey

Jacqueline L. Gardner, being duly sworn, deposes and says that she is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that she has made an examination of the affairs and financial condition of the University of Idaho Health Benefit Trust for the period from January 30, 2008 through December 31, 2013; that the information contained in the report consisting of the foregoing pages is true and correct to the best of her knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

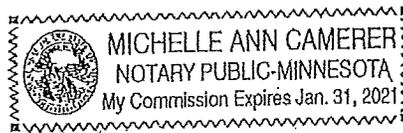


Jacqueline L. Gardner, FLMI, CFE
Risk & Regulatory Consulting
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 14 day of Feb, 2016, at St. Paul, MN.



Notary Public



My Commission Expires: January 31, 2021

THE ERISA LAW GROUP, P.A.

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Jeffery Mandell, Esquire
email: jeff@erisalawgroup.com

March 18, 2016

Via Email and U.S. Mail

Ms. Honalee Thomas
Department of Insurance
P.O. Box 83720
Boise, ID 83720-0043

Ms. Hermoliva Abejar, CFE
Department of Insurance
P.O. Box 83720
Boise, ID 83720-0043

RECEIVED
2016 MAR 21 AM 11:02
STATE OF IDAHO
DEPT OF INSURANCE

Re: University of Idaho Health Benefits Trust ("Trust") – Response To Final Audit Report

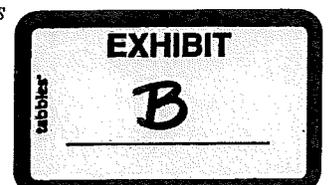
Dear Ms. Thomas and Ms. Abejar:

To facilitate our communications, I am writing on behalf of my client, the Trust, and also the University of Idaho, the Trust sponsor. The words "our", "we" and the like in this letter refer to both the Trust and University unless the context indicates otherwise.

Thank you for Ms. Abejar's letter to John Keatts dated February 18, 2016, along with its attachments. We have reviewed the audit report and noted that the examination did not disclose any material adverse financial findings or any adjustments that impacted the Plan's reported surplus. We also thank you and the Department for the findings and recommendations which warrant the University's and Trust's actions to bring the Trust into compliance with the recent statutory changes in Idaho law. We look forward to making those adjustments and doing our utmost to always adhere to the law.

Ms. Abejar's February 18, 2016 letter and Idaho law allow the Trust and University to rebut and respond to the final audit report within thirty days after it is issued. This letter constitutes such response. Before I provide specific comments to certain items in the audit report, please note that on December 11, 2015 both the Trust and University, separately, provided to the Department our suggested revisions and correction of certain facts stated in the draft audit report, and we addressed other areas about which we expressed our concerns. Having reviewed these matters again, and taking into account the final audit report, please recognize that neither the Trust nor the University withdraw our previously made statements regarding such matters (the Department did revise some

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Ms. Honalee Thomas
Ms. Hermoliva Abejar, CFE
March 18, 2016
Page 2

of the provisions in the draft report in response to the Trust's comments, and we appreciate the Department's consideration of those comments, as well as the Department's revisions leading to the final report). We continue to believe our assertions regarding the draft report are correct and valid as applied to the final report.

Notwithstanding the foregoing, and noting that the Department did not respond to the University's requests and comments to the draft report, we are satisfied with the final report and the good work the Department exercised in its review, except to the extent we raise again the specific issues discussed below. Therefore, we believe it is appropriate to not re-address all of the issues we addressed in the draft report, and to simply move forward to bring this matter to a mutually beneficial resolution by limiting our remarks and requests to those we outline below.

Subject to our above-stated reservation of our comments made to the draft audit report on December 11, 2015 (from Kent Nelson to you and Jacki Gardner, and from me to you and Jacki Gardner), our responses to the Verified Report of Full Scope Financial Condition Examination are set forth herein. Our comments below will correspond to the final report in reference to its page numbers, headers and paragraphs as needed.

1. Under **Plan History, Contributions and Rates**, the University brought to the Department's attention in Kent Nelson's December 11, 2015 communication that statements in this provision of the audit report - and similar comments throughout the balance of the audit report - are inaccurate as they relate to Trust actuarial matters and funding. Please refer to page 5 of the draft audit report provided by Mr. Nelson, specifically "**Commented [NK(2): #2**". As we previously conveyed to the Department, a highly qualified actuary has been retained throughout the Trust's existence. He has completed an actuarial study to set both gross rates and employee contributions by plan and tier every single year from 2009 through 2016. We respectfully request that you review Mr. Nelson's said comment at this time. The University uses the employee contribution rates, but pays the remainder of the costs as they are due in invoices. This, as you might know, is the norm in the self-funded single employer world. Hoping that you agree with our request that the final audit's report language should be revised to accurately reflect the facts, that indeed the Trust has worked with the actuary to arrive at funding and contribution levels every year, we would be delighted to work with you to arrive at mutually acceptable language. This should not be difficult.

2. See please **Management and Corporate Governance, Administrative Services Agreement**, second paragraph thereof, page 8. In Mr. Nelson's December 11, 2015 communication he requested that "actuarial services" be stricken because Buck Consultants - not BCI - provides actuarial calculations. Such two words were not stricken, and therefore we request again that they be stricken so that the public record is not incorrect.

3. Regarding **Stop Loss Coverage**, page 10, please see Mr. Nelson's December 11, 2015 response, "**Commented NK (9): #9**". He explained why the Department's description of the stop loss coverage is incorrect. We do not believe that this inaccuracy should continue in the final report. We request that you correct it.

Ms. Honalee Thomas
Ms. Hermoliva Abejar, CFE
March 18, 2016
Page 3

4. **Accounts and Records, General Accounting**, fifth paragraph therein, first bullet, page 11. The final report also was not responsive to both the Trust's and University's requests that this provision of the draft audit report be modified to be accurate. The Trustees did not need, and did not represent that they needed, the University's permission to access the Trust's books and records to provide them to the examiner. Please see Mr. Nelson's comment #11 on page 11 of the University's annotated draft report, and the Trust's comment #16 also on page 11 of the Trust's annotated draft audit report. We repeat our request that this language be modified in order that it be accurate.

5. With reference to the three *Recommendations* on the bottom of page 17 and the top of page 18, we concur with these and will adjust the plan and Trust in compliance therewith. We are pleased that there are no adverse findings with respect to funding to pay benefits when due. Although we have utilized an actuary throughout the existence of the Trust, those studies had not been used to fund the Trust in advance. We will continue to retain a qualified actuary, and will use the actuarial study to develop employer rates. We will use those rates to fund the Trust in advance.

6. Regarding the *Recommendation* in the middle of page 18, we concur with the recommendation. I have been working with Richard Burleigh to conform the Trust document to the recent statutory changes. We will resume this work promptly upon finalization of the audit report.

7. Regarding the *Recommendation* on page 19, we concur and will file the appropriate biographical affidavits for new Trustees pursuant to Idaho law.

8. Regarding the *Recommendation* on page 20, we concur. The Trust is working towards obtaining the appropriate coverage in compliance with the Department's recommendation and Idaho law.

9. Regarding the *Recommendations* on page 21, we concur. I, on behalf of the Trust, will work with Mr. Nelson, on behalf of the University, to prepare a services agreement that satisfies the Department's recommendations. I will get that to you after that task is completed.

10. Regarding the *Recommendations* on page 22, we will amend the Trust so that its provisions with respect to irrevocability are in compliance with Idaho law. Please note, as we previously demonstrated in our December 11, 2015 communication, that the Trust already clearly states that it is irrevocable. Nonetheless, we concur in modifying the language to your satisfaction.

11. Finally, please see Ms. Gardner's management letter to Mr. Keatts dated February 3, 2016. As we stated in our December 11, 2015 communication, Idaho law does not require that there be a process in place to ensure that there are no conflicts of interest or breaches of fiduciary responsibility. Instead, the law simply states that there may not be a conflict of interest or a breach. Notwithstanding, we nevertheless concur with the recommendation that notarized conflict of interest statements be provided on an annual basis.

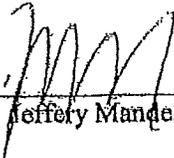
Once the final audit is finalized by the Director, I will contact Richard Burleigh, or vice-versa, to make the new necessary modifications to the Trust agreement.

Ms. Honalee Thomas
Ms. Hermoliva Abejar, CFE
March 18, 2016
Page 4

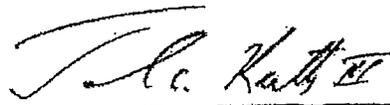
Again, thank you, Ms. Gardner, and other Department personal and we appreciate the Department's efforts to examine the Trust as the Department, University and Trustees work together to provide benefits to University employees and retirees. We look forward to continue to work with you to bring and maintain the Trust in compliance with the law.

Below, please see Mr. Foisy's and Mr. Keatt's signatures on behalf of the University and Trustees. Please contact me if you have any questions.

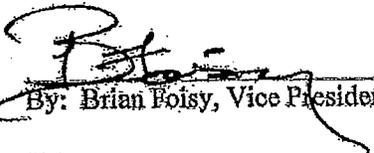
THE ERISA LAW GROUP, P.A.


By: Jeffrey Mandell, President

UNIVERSITY OF IDAHO HEALTH
BENEFITS TRUST


By: John Keatts, Trustee

UNIVERSITY OF IDAHO


By: Brian Foisy, Vice President for Finance

JM:em

State of Idaho
DEPARTMENT OF INSURANCE

C.L. "BUTCH" OTTER
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
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FAX# (208)334-4398

DEAN L. CAMERON
Director

VIA E-MAIL

April 4, 2016

John Keatts
Chairman of the Board of Trustees
University of Idaho Health Benefits Trust
875 Prerimeter Drive, MS 3166
Moscow, ID 8344-3166
johnk@uidaho.edu

Jeffery Mandell
The Erisa Law Group, P.A.
P.O. Box 853
Boise, ID 83701
jeff@erisalawgroup.com

RE: Examination Report - University of Idaho Health Benefits Trust (Trust)

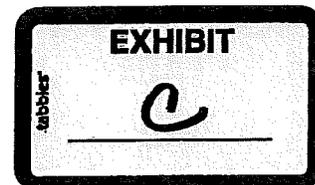
Gentlemen:

We acknowledge the receipt of the letter dated March 18, 2016 in response to the verified examination report and management letter, the Trust's response to the draft report and the University of Idaho's (University) comments submitted separately on December 11, 2015. We appreciate your willingness to work with the Department in order to resolve the findings arising out of the examination process. We are looking forward to working with the Trust in addressing and complying with the recommendations in the final report.

We understand that the Trust had a few remaining concerns regarding the verified report. We want to ensure that we obtain the most accurate information and confirm our records.

We recognize the University's use of Buck Consultants, LLC's advice during the rate making process. However, it is our understanding that Buck Consultants, LLC, did not provide advice concerning the actual rates. Furthermore, the Department does not have evidence that the Trust had an actuarial study and calculation that complied with Idaho Code § 41-4005(5) and § 41-4005(2)(e) (effective prior to July 1, 2013). If there is such an actuarial study and calculation that is in compliance with Idaho Code § 41-4005(5) and § 41-4005(2)(e) (effective prior to July 1, 2013) please provide us a copy on or before April 11, 2016.

With regard to your second issue concerning actuarial services, Appendix A of the Administrative Services Agreement (Agreement) between the University and BlueCross of Idaho Health Services, Inc. (BCI) states that actuarial services are included in the administrative fee. We are aware of no information whereby the terms of the Agreement change if the Trust or the University hires a consultant to provide services in addition to what



John Keats
Jeffery Mandel
April 6, 2016
Page 2 of 2

is provided by BCI per agreement. If there are amendments to the Agreement within the years under examination that excludes the actuarial services, please provide us with a copy of such amendments on or before April 11, 2016.

With regard to your comments regarding the stop loss agreement, we changed the specific excess loss coverage from \$250,000 to \$200,000 in the verified report per the terms of the stop loss agreement. We recognized that there is a \$2,000,000 maximum per agreement period that continues coverage during the 3-month run-out period and that it is not a lifetime maximum. However, the stop loss agreement with BCI provides for 90% of claim amounts above the 125% attachment point and not 100%. If there was an amendment to the stop loss agreement stating that BCI will now pay 100% of the claim amounts above the 125% attachment point, please provide us with a copy of this amendment on or before April 11, 2016.

Finally, our examination records show that all or a majority of the accounts and records of the Trust are located within the University system. The fact that the Trust does not have its accounts and records in its possession or readily accessible at any time and has to request the University to produce the requested information, constitutes "permission" in our view. This position is supported by the absence of any agreement between the Trust and the University concerning ownership and control of the documents (which absence we understand the Trust intends to correct). We do not, therefore, see any basis to revise the report to change this conclusion.

If we have not received the requested information above by April 11, 2016, we will request that the Director adopt the verified report pursuant to Idaho Code § 41-227. Again, we appreciate the Trust and the University's efforts to address the issues raised by the examination and look forward to the continued cooperation of the Trust and the University and the successful operation of the Trust. Please let us know if you have any questions regarding the requested items above.

Sincerely,


Hermoliva B. Abejar, CFE
Deputy Chief Examiner
Idaho Department of Insurance

cc: Brian Foisy (brianfoisy@uidaho.edu)
Georgia Siehl
Richard Burleigh