

CERTIFICATION

September 27, 2013

I, Bruce R. Ramage, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the

Financial Examination Report of

**Nebraska Association of Resource Districts Intergovernmental
Risk Management Pool Association**

as of

June 30, 2012

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

SEP 27 2013

FILED

Bruce R. Ramage
ICE
DIRECTOR OF INSURANCE

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

NEBRASKA ASSOCIATION

OF

RESOURCES DISTRICTS

INTERGOVERNMENTAL RISK MANAGEMENT POOL ASSOCIATION

as of

June 30, 2012



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Lincoln, Nebraska
August 23, 2013

Honorable Bruce R. Ramage
Director of Insurance
Nebraska Department of Insurance
941 "O" Street, Suite 400
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

**NEBRASKA ASSOCIATION OF RESOURCES DISTRICTS
INTERGOVERNMENTAL RISK MANAGEMENT POOL ASSOCIATION**
601 South 12th Street, Suite 201
Lincoln, Nebraska 68508-2858

(hereinafter also referred to as the "Association") and the report of such examination is respectfully presented herein.

INTRODUCTION

The Association was last examined as of June 30, 2008 by the State of Nebraska. The current financial condition examination covered the intervening period to, and including, the close of business on June 30, 2012, and includes such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

SCOPE OF EXAMINATION

This examination was conducted pursuant to and in accordance with Section §44-4310(2) of the Nebraska Insurance Statutes.

A general review was made of the Association's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Association's history was traced and has been set out in this report under the caption "History". All items pertaining to management were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the organization of the Association. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, and approval of investment transactions were also noted.

Fidelity bond and other insurance coverages protecting the Association's property and interests were reviewed. The Certificate of Authority to conduct the business of insurance in Nebraska was inspected.

Data reflecting the Association's growth during the period under review, as developed from the Association's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report".

The Association's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Reinsurance". Accounting records and procedures were tested to the extent deemed necessary, including a review of premium and claim handling procedures.

The assets were evaluated and verified and the liabilities determined so as to present herein a statement of the Association's financial condition as of June 30, 2012. This included a review of workpapers prepared by Willnerd & Associates, LLC, the Association's external auditors, during their audit of the Association's accounts for the year-end June 30, 2012. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF ASSOCIATION

HISTORY

The Association was organized under the laws of the State of Nebraska pursuant to the Intergovernmental Risk Management Act, Section 44-4301 (Reissue of 2004.). Its purpose is to provide members with group self-insurance for accident and health, dental and vision insurance coverages. The Association also administers the fully insured life and accidental death and dismemberment insurance and long-term disability insurance programs on behalf of its members. The Association was granted a Certificate of Authority, retroactively, on July 17, 2007 for operations that began on July 1, 2007.

Pursuant to a change in the Intergovernmental Risk Management Act, Section 44-4310(1) during the 1997 legislative session, the Association applied for and received approval from the Nebraska Insurance Director to file its financial statements corresponding to its fiscal year of July 1 to June 30. This change was approved December 1, 2008.

MANAGEMENT AND CONTROL

Membership

Membership in the Association consists of the Nebraska Association of Resources Districts and the 23 Natural Resources Districts of the State of Nebraska, who commit to participate for three years. After the fifth anniversary of the initial formation of the pool, any public agency shall be eligible for membership, subject to the approval of the Board and the Nebraska Department of Insurance. After the initial three years of participation, a member may terminate its relationship with the Association with review and approval by the Nebraska Department of Insurance. The terminating member must present a written notice of withdrawal to the Board and the Nebraska Department of Insurance at least one year prior to the effective date of the withdrawal. The effective date of such withdrawal will be the last day of the fiscal year, which is June 30.

The annual meeting of the members shall be held each March.

Board of Directors

The Company's By-Laws state that, "the business and affairs of Pool shall be managed by its Board of Directors. The number of Directors of the Pool shall be the same as the number of Members. Each member is entitled to elect two individuals (by whatever process such Member shall choose) of which one individual shall be a Director of the Board of Directors of the Pool and the second individual shall be the Alternate to the first. Each director shall hold office until the March Board of Directors meeting".

Members of the Board of Directors, duly elected and serving the Association at June 30, 2012 were as follows:

Name and Residence

NRD Represented

Joe Anderjaska
Ainsworth, Nebraska

Middle Republican NRD

Jim Bendfeldt
Kearney, Nebraska

Central Platte NRD

Ronald Case
Lincoln, Nebraska

Lower Platte South NRD

Gerald Dillman
Mitchell, Nebraska

North Platte NRD

Orval Gigstad
Syracuse, Nebraska

Nemaha NRD

Lyle Heinrichs
Shickley, Nebraska

Little Blue NRD

Ted Hughes
Neligh, Nebraska

Upper Elkhorn NRD

Dean Jochem
Ainsworth, Nebraska

Middle Niobrara NRD

Jim Johnson
Dix, Nebraska

South Platte NRD

Don Kavan
Morris Bluff, Nebraska

Lower Platte North NRD

Terry Martin
Benkelman, Nebraska

Upper Republican NRD

James Meismer
Paxton, Nebraska

Twin Platte NRD

Larry Moore
Ulysses, Nebraska

Upper Big Blue NRD

Curt Morrow
O'Neil, Nebraska

Lower Niobrara NRD

David Nelson
Upland, Nebraska

Tri-Basin NRD

Name and Residence

NRD Represented

Roger Nelson
Superior, Nebraska

Lower Republican NRD

Ken Peitzmeier
Norfolk, Nebraska

Lower Elkhorn NRD

Dean Rasmussen
North Loup, Nebraska

Lower Loup NRD

Judy Ridenour
Mullen, Nebraska

Upper Loup NRD

Curtis Roth
Gordon, Nebraska

Upper Niobrara White NRD

Norman Stokebrand
Dewitt, Nebraska

Lower Big Blue NRD

Richard Tesar
Waterloo, Nebraska

Papio-Missouri River NRD

Mary Ann Wortmann
Crofton, Nebraska

Lewis & Clark NRD

Directors receive no compensation for serving on the Board.

Officers

Article IV of the Association's By-Laws states that, "Officers of the Pool shall be a President, a Vice President, a Secretary-Treasurer, and an Executive Director, each of whom shall be elected by the Board of Directors, except for the Executive Director who shall be appointed. The Officers of the Pool to be elected annually by the Board of Directors at their regular meeting held in March". Officers serving at June 30, 2012 were as follows:

Name

Office

Joe Anderjaska
Terry Martin
Jim Bendfeldt
Dean Edson

President
Vice President
Secretary/Treasurer
Executive Director

Committees

The By-Laws state that, “there is hereby established three standing committees. The standing committees shall be designated as follows: the Executive Committee, the Audit and Budget Committee, and the Loss Control Committee”.

The following persons were serving on the Executive Committee at June 30, 2012:

Joe Anderjaska, President	Terry Martin
Jim Bendfeldt	James Meismer
Jim Johnson	Mary Ann Wortmann

The following persons were serving on the Audit and Budget Committee at June 30, 2012:

Joe Anderjaska	Ted Hughes
Jim Bendfeldt	Dan Kavan
Gerald Dillman	Dean Rasmussen

The following persons were serving on the Loss Control Committee at June 30, 2012:

Joe Anderjaska, President	Jim Meismer
Jim Bendfeldt	Dianne Miller
Jasper Fanning	Kent Miller
Marsha Hart	Tom Moser
Bob Hilske	Tom Mountford
Jim Johnson	Mike Murphy
Butch Koehlmoos	John Turnbull
Carie Lynch	Lyndon Vogt
Terry Martin	Mary Ann Wortmann

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Association is licensed to transact business in Nebraska only.

The Association operates on a not-for-profit basis, to provide risk management services, which consist of medical, dental, and vision insurance. The Association also administers long-term disability coverage for The Hartford Life Group Insurance Company and fully insured life and accidental death and dismemberment insurance for New York Life.

REINSURANCE

Ceded

The Association has a Stop Loss agreement to insure annual aggregate and specific loss coverage for medical and prescription claims. The aggregate benefit has an annual limit of \$1,000,000. The annual aggregate attachment point for the period ended June 30, 2012 was \$4,402,517. The specific loss benefit has a self-insured deductible of \$100,000 with a lifetime maximum specific benefit of \$1,900,000 per covered person. The Stop Loss agreement contained the appropriate errors and omissions, insolvency, and arbitration clauses.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Association during the period covered by this examination:

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Investments	\$2,517,594	\$3,178,997	\$2,376,165	\$1,810,913
Admitted assets	2,541,462	3,187,040	3,915,742	3,367,518
Aggregate claim reserve	426,000	420,000	440,000	590,000
Total liabilities	526,688	490,277	520,468	651,568
Surplus	2,014,774	2,696,763	3,395,274	2,715,950
Total net health premiums	3,729,128	3,838,500	3,978,514	3,921,319
Net investment income	34,737	24,711	23,034	40,989
Net medical claims	2,165,863	2,159,914	2,152,386	3,399,544
Net income	534,091	681,989	674,988	(663,642)

FINANCIAL STATEMENTS

The following statement of admitted assets and liabilities, together with the accompanying summary of operations, reflects the financial condition of the Association at June 30, 2012 and its transactions during the fiscal year of 2011/12 as determined through this examination. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT **June 30, 2012**

Assets

Cash and cash equivalents	\$1,810,913
Investments	1,554,124
Accrued interest receivable	<u>2,481</u>
Total assets	<u>\$3,367,518</u>

Liabilities, Surplus and Other Funds

Accounts payable	\$ 8,000
Unearned premium	53,568
Claims	<u>590,000</u>
Total liabilities	<u>\$ 651,568</u>
Surplus	<u>2,715,950</u>
Total liabilities and surplus	<u>\$3,367,518</u>

STATEMENT OF INCOME – 2011/12

Revenue

Medical insurance premiums	\$3,921,174
Less: Medical reinsurance premium	(362,491)
Dental insurance premiums	293,654
Vision reimbursement premiums	62,420
COBRA premiums	<u>6,562</u>
Total net health revenue	<u>\$3,921,319</u>
Life and AD&D insurance premiums	\$ 89,765
Less: Life and AD&D insurance premiums	(49,313)
Long-term disability insurance premiums	83,453
Less: Long-term disability insurance premiums	(72,943)
Wellness program income	106
Less: Wellness program expenses	4,089
Less: Administrative costs	<u>37,200</u>
Total non-health revenue	<u>\$ 9,779</u>
Investment income	<u>\$ 40,989</u>
Total revenue	<u>\$3,972,087</u>

Expenses

Medical claims	\$4,289,435
Less: Reinsurance recoveries	(1,051,891)
Provision for medical claims	162,000
Dental claims	231,298
Less: Provision for dental claims	(12,000)
Prescription drugs	716,131
Vision reimbursement	51,884
Claims adjustment expense	23,559
General administrative expenses	222,688
Leasehold improvement/equipment	<u>2,625</u>
Total expenses	<u>\$4,635,729</u>
Net income (loss)	<u>\$ (663,642)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Capital and surplus, beginning	<u>\$1,481,127</u>	<u>\$2,014,774</u>	<u>\$2,696,763</u>	<u>\$3,395,274</u>
Net income (loss)	\$ 534,091	\$ 681,989	\$ 674,988	\$ (663,642)
Unrealized gain (loss) on investments			23,523	(15,682)
Previous examination change	<u>(444)</u>	<u> </u>	<u> </u>	<u> </u>
Net change for the year	<u>\$ 533,647</u>	<u>\$ 681,989</u>	<u>\$ 698,511</u>	<u>\$ (679,324)</u>
Capital and surplus, ending	<u>\$2,014,774</u>	<u>\$2,696,763</u>	<u>\$3,395,274</u>	<u>\$2,715,950</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$2,715,950, as reported in the Association's 2011/12 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Association's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendation appearing in the previous report of examination is reflected below together with the remedial actions taken by the Association to comply therewith:

Premium Receivable/Unearned Premium Revenue - It is recommended that the Association report these items as prescribed by NAIC Annual Statement Instructions.

Action: The Association has complied with this recommendation

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGEMENT

The courteous cooperation extended by the Officers and employees of the Association during this examination is hereby acknowledged.

Respectfully submitted,

A handwritten signature in cursive script that reads "Linda K. Scholl". The signature is written in black ink and is positioned above a horizontal line.

Linda K. Scholl, CFE
Examiner-in-Charge
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Linda K. Scholl, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Nebraska Association of Resources Districts Intergovernmental Risk Management Pool Association.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Nebraska Association of Resources Districts Intergovernmental Risk Management Pool Association was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

Linda K. Scholl
Examiner-in-Charge's Signature

Subscribed and sworn before me by Linda Scholl on this 18th day of Sept, 20 13.

(SEAL)



Jacqueline A. Blum
Notary Public

My commission expires July 25, 2014 [date].

