



STATE OF UTAH INSURANCE DEPARTMENT  
REPORT OF FINANCIAL EXAMINATION

of

**EDUCATORS MUTUAL INSURANCE ASSOCIATION**

of

Murray, Utah

as of

December 31, 2022



## TABLE OF CONTENTS

|  |           |
|--|-----------|
| SALUTATION.....  | 3         |
| <b>SCOPE OF EXAMINATION.....</b>                                   | <b>3</b>  |
| Period Covered by Examination.....                                 | 3         |
| Examination Procedures Employed.....                               | 3         |
| <b>SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS.....</b>    | <b>4</b>  |
| <b>ORGANIZATION HISTORY.....</b>                                   | <b>5</b>  |
| General.....   | 5         |
| Mergers and Acquisitions.....                                      | 5         |
| Dividends and Capital Contributions .....                          | 5         |
| <b>MANAGEMENT &amp; CONTROL INCLUDING CORPORATE GOVERNANCE....</b> | <b>5</b>  |
| Board of Directors or Trustees .....                               | 5         |
| Committees.....  | 6         |
| Officers.....  | 7         |
| Holding Organization .....   | 7         |
| <b>TERRITORY AND PLAN OF OPERATIONS.....</b>                       | <b>9</b>  |
| <b>GROWTH OF ORGANIZATION.....</b>                                 | <b>9</b>  |
| <b>REINSURANCE.....</b>  | <b>10</b> |
| Assumed .....  | 10        |
| Ceded.....   | 10        |
| <b>FINANCIAL STATEMENTS .....</b>                                  | <b>11</b> |
| BALANCE SHEET.....   | 12        |
| BALANCE SHEET (Continued).....                                     | 13        |
| STATEMENT OF INCOME.....   | 14        |
| RECONCILIATION OF CAPITAL AND SURPLUS .....                        | 15        |
| <b>ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS .....</b>           | <b>16</b> |
| <b>COMMENTS ON FINANCIAL STATEMENT ITEMS.....</b>                  | <b>16</b> |
| <b>SUBSEQUENT EVENTS .....</b>                                     | <b>16</b> |
| <b>ACKNOWLEDGEMENT .....</b>                                       | <b>16</b> |

November 13, 2023

Honorable Jonathan T. Pike, Commissioner  
Utah Insurance Department  
4315 S 2700 W, Suite 2300  
Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, an examination, as of December 31, 2022, has been made of the financial condition and business affairs of:

**EDUCATORS MUTUAL INSURANCE ASSOCIATION**  
Murray, Utah

hereinafter referred to in this report as “the Organization”, and the following report of examination is respectfully submitted.

**SCOPE OF EXAMINATION**

Period Covered by Examination

Representatives of the Utah Insurance Department (Department) have performed a full scope examination of the Organization, which covers the period of January 1, 2019, through December 31, 2022, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

Examination Procedures Employed

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

All accounts and activities of the Organization were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by

management and evaluating management's compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the Organization and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Organization.

### **SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

During a substantive testing of claims, examiner reviewed 80 samples, 60 of which are high-dollar claims (greater than \$50,000). Out of the 80 claims, 41 claims took longer than 30 days to be paid. The examiner inquired if there was appropriate proof of communication with the claimants regarding the payment delay. After reviewing the Organization's responses, 21 claims (18 high-dollar claims) did not have any evidence of any communication being made with the claimants.

According to Utah Code § 31A-26-301.6, within 30 days of the day on which the insurer receives a written claim, if payment or denial cannot be determined, the insurer must inform the claimant of the circumstance requiring the extension of time and the date by which the insurer expects to pay the claim or deny the claim with a written explanation for the denial.

#### *Recommendation:*

We recommend the Organization follow its Claims Policies and Procedures to ensure that all claims are paid in timely in accordance with the requirement of Utah Code § 31A-26-301.6.

#### *Company Response:*

Overall, we believe that in the vast majority of cases, the Company is following its claims policies and procedures to ensure that claims are paid in accordance with Utah Code § 31A-26-301.6 and communication is made to the claimant within 30 days of receiving the written claim. The claims testing targeted large dollar claims which require more investigation and multiple reviews before they are released. Due to staff turnover, we had an unfilled position for one of our large dollars claim examiners which resulted in lower turnaround time temporarily for larger claims. We have since filled the open position. We are working on hiring more qualified examiners to handle large dollar claims. We have also reminded and reemphasized to the existing large dollar examiners, the process to send letters if the claim payment/EOB will not be printed within 30 days of receipt of the claim. Supervisors handling the 2nd level review are also more aware now and we are planning

to add to our Quality Assurance team to handle the 2nd level reviews, which will reduce the turnaround time.

## **ORGANIZATION HISTORY**

### General

The Organization is a non-profit mutual benefit association created by the Utah Education Association in order to provide insurance protection to educators. The original name of the Organization was Utah Teachers Welfare Association. The name was changed to its current name on October 7, 1965.

The Organization is governed by the Board of Trustees, which made up of Members and industry experts who are committed to the mission and success of the Organization. The Organization is the parent company of Educators Health Plan Life, Accident and Health, Inc. (EHPL). There was no amendment to the Articles of Incorporation during this examination period. There were two amendments to the Bylaws on March 27, 2019, and June 24, 2021.

### Mergers and Acquisitions

On September 1, 2021, the Organization's subsidiary, EHPL, completed the acquisition of Total Dental Administrators (TDA), and all of its subsidiaries. The acquisition brings together two organizations focused on providing affordable high-quality healthcare benefits. Total Dental Administrator Utah, a Utah domiciled insurance subsidiary of TDA is a licensed insurance company that offers health maintenance organization (DHMO) and preferred provider organization (PPO) dental insurance plans.

### Dividends and Capital Contributions

No policyholder dividends were declared or paid during the examination period. In 2020, the Organization made capital contributions to EHPL in the amount of \$263,415, and \$1,960,857.

## **MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE**

### Board of Directors or Trustees

The Organization's Bylaws require the number of the Directors/Trustees to be no less than five (5), nor more than fifteen (15). Currently, five (5) Directors/Trustees are elected by the Members and four (4) Directors/Trustees are appointed by the Board of Trustees.

The following persons served as Directors/Trustees of the Organization as of December 31, 2022:

| <b>Name</b>                           | <b>Principal Occupation</b>                                       |
|---------------------------------------|---|
| Richard Gottfredson<br>Sanpete, UT    | Business Administrator (Retired)<br>South Sanpete School District |
| Corey Callahan<br>Salt Lake City, UT  | Manager Employee Benefits<br>Utah Valley University               |
| Michael Francis<br>Orem, UT           | Retired CPA   |
| Wendell Bennett<br>Kaysville, UT      | CEO<br>Horizon Utah   |
| Clint Halverson<br>Salt Lake City, UT | Chief People Officer<br>Becklar LLC                               |
| Scott Thornton<br>Centerville, UT     | Retired Chief Actuary   |
| Bryan Sprague<br>West Valley City, UT | Executive Director (Retired)<br>Utah School Employees Association |
| Randy Smart<br>Sandy, UT              | Attorney (Retired)<br>Smart, Schofield, Shorter, and Lunceford    |
| Jennifer Boehme<br>South Jordan, UT   | Executive Director<br>Utah Education Association                  |

**Committees**

The Board’s active committees as of December 31, 2022, were as follows:

| <b>Executive Committee</b> | <b>Audit Committee</b> |
|----------------------------|------------------------|
| Michael Francis, Chair     | Clint Halverson, Chair |
| Corey Callahan             | Michael Francis        |
| Steve Morrison             | Page Bennet            |
| Scott Thornton             |                        |
| Paul Gottfredson           |                        |
| Clint Halverson            |                        |

| <b>Finance &amp; Risk Management Committee</b> | <b>Marketing &amp; Legislative Committee</b> |
|--|--|
| Scott Thornton, Chair                          | Paul Gottfredson, Chair                      |
| Corey Callahan                                 | Randy Smart                                  |
| Bryan Sprague                                  | Jennifer Boehme                              |

### Officers

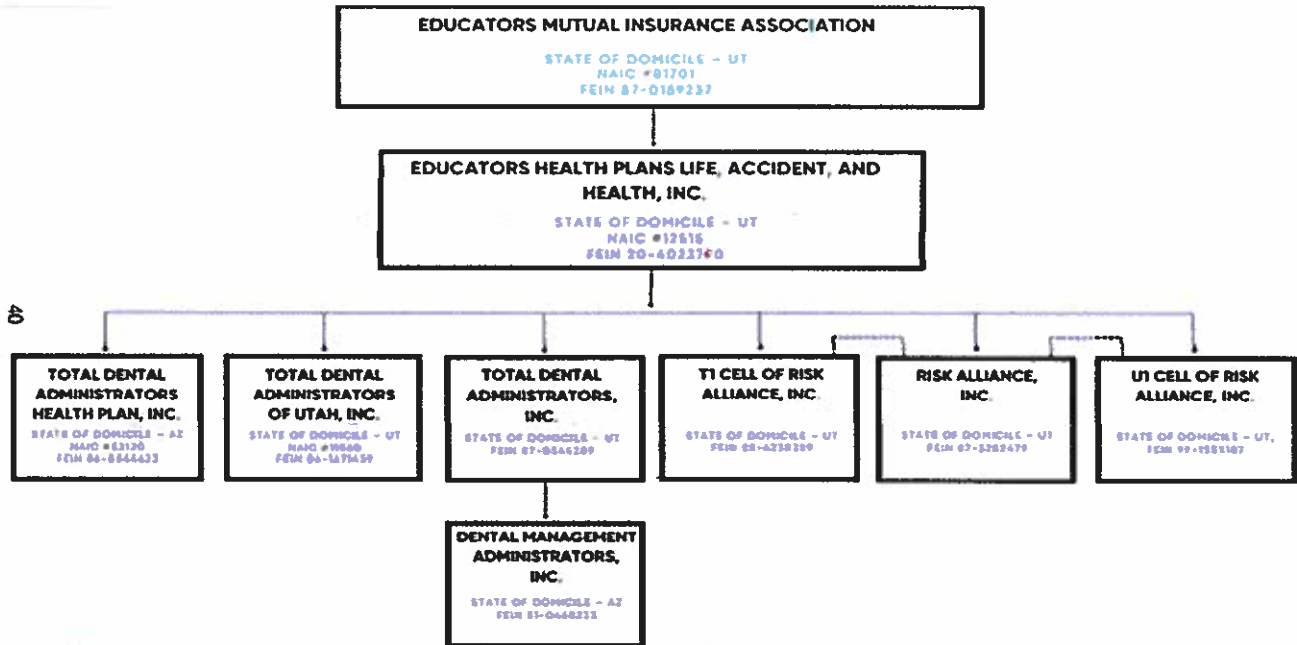
The following persons served as officers of the Organization as of December 31, 2022:

| Name               | Title  |
|--------------------|--|
| Steven Morrison    | CEO/President                                      |
| David Lowther      | COO/Secretary                                      |
| Michael Greenhalgh | CFO/Treasurer                                      |
| Joseph Campbell    | VP, Chief Information Officer                      |
| Cynthia Dunnavant  | VP, Sales and Marketing                            |
| Tiffany Bermingham | VP, Enrollment                                     |
| Brandon Smart      | VP, Chief Compliance Officer / Chief Legal Counsel |
| David Wood         | VP, Chief Actuary                                  |

### Holding Organization

The Organization is a member of a holding company as defined in Utah Code §31A-16. The following chart depicts the holding company as of December 31, 2022:

## EMI ORGANIZATIONAL CHART



### Transactions and Agreements with Affiliates

The following agreements were in place as of the date of this examination report:

#### Management Agreement

The Organization entered into a Management Agreement with EHPL, effective February 1, 2016, to share the general administrative functions and expenses. The agreement outlines each party's desire to provide certain services set forth in the contract. The parties agree to share in the responsibility of the general administration functions such as financial reporting, accounting, enrollment, billing, and claim administration. Fees paid were based on membership, premiums, enrollment, and product mix. The agreement was amended on November 1, 2021, to include TDA.

#### Reinsurance Agreement (Terminated)

Effective January 1, 2018, the Organization entered into a reinsurance agreement with EHPL to assume all of its stop loss business in Arizona and Utah. This agreement was terminated on September 30, 2020.



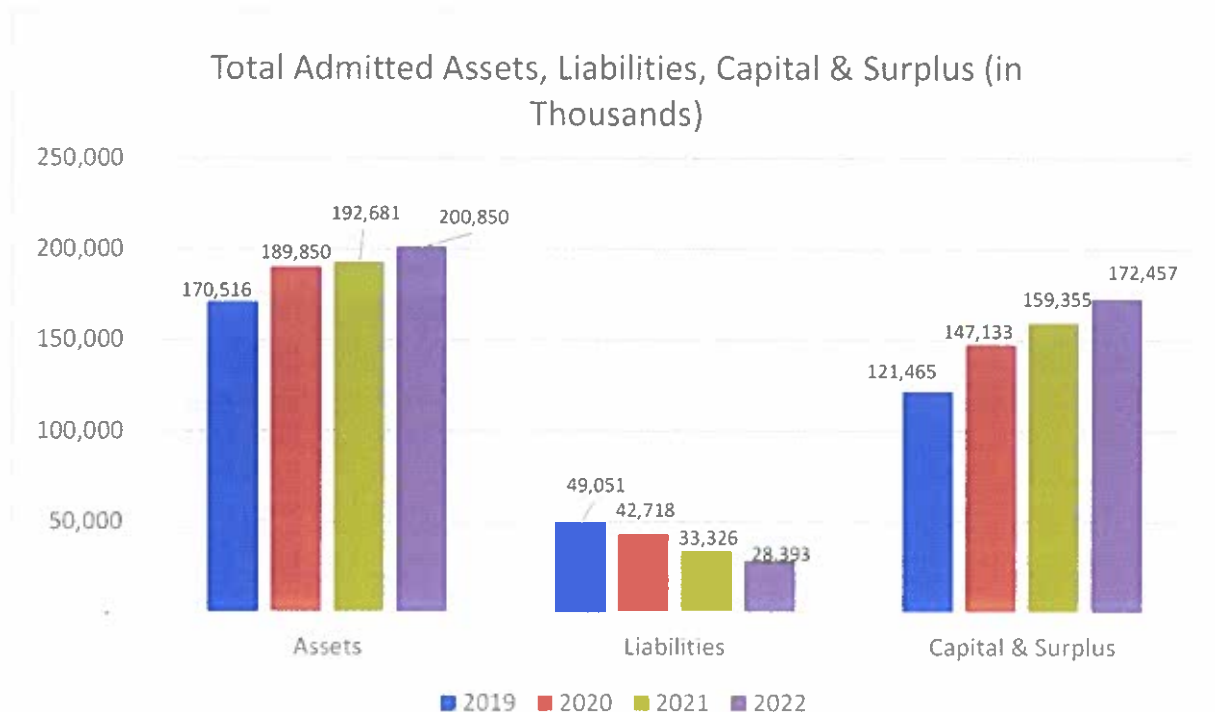
## TERRITORY AND PLAN OF OPERATIONS

The Organization is licensed in the State of Utah to write certain life, medical, and disability insurance on behalf of its membership which is comprised primarily of individuals performing services for educational institutions, boards of education, the State of Utah, and other agencies or political subdivisions engaged in educational services. As of the examination date, the Organization was also licensed in Idaho, though the majority of business was written in Utah. The majority of the premiums were from stop loss coverage to self-funded groups with whom the Organization has entered into administrative service contracts (ASC). The Organization also writes individual dental and health policies (Medicare Supplement). As of December 31, 2019, Medicare part D products were no longer offered by the Organization.

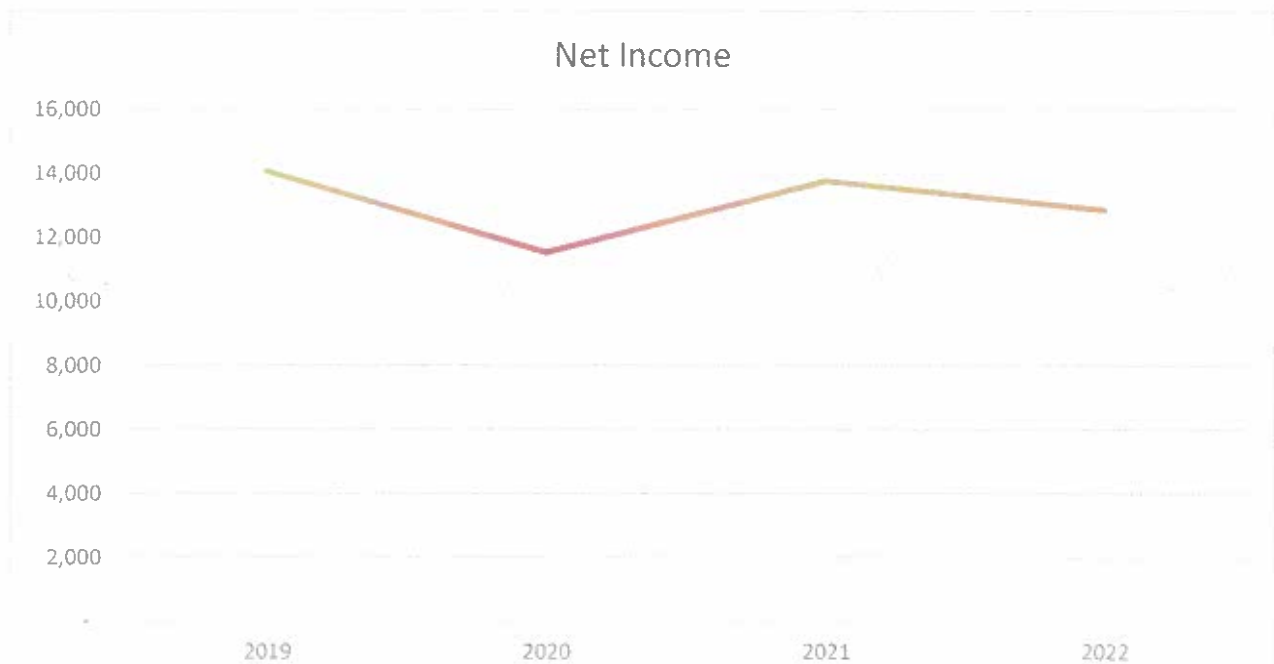
## GROWTH OF ORGANIZATION

During the examination period, the Organization experienced steady growth with its assets and capital & surplus, whereas its liabilities have decreased steadily.

The following graphs illustrate the growth of the Organization during the examination period:



Sources: 2019 – 2022 Annual Statements



Sources: 2019 – 2022 Annual Statements

## **REINSURANCE**

### Assumed

As of the date of this examination, the Organization did not have any assumed reinsurance.

### Ceded

The Company entered into a Medical Excess of Loss Reinsurance contract with Axis Insurance Company, effective September 1, 2020. See the following for coverage detail:

#### For Policies outside of the Aetna Network

100% of an unlimited amount of Ultimate Net Loss for each Covered Person, in excess of the Company's retention of \$600,000, inclusive of any applicable employer self-insured retention.

#### For Policies within the Aetna Network

Layer 1: 100% of \$2,150,000 of Ultimate Net Loss for each Covered Person, in excess of the Company's retention of \$600,000, inclusive of any applicable employer self-insured retention.

Layer 2: 100% of an unlimited amount of the Ultimate Net Loss for each Covered Person, in excess of \$3,000,000 of Ultimate Net Loss for each Covered Person.

In addition, the Company will retain a minimum of \$250,000 in excess of any applicable employer self-insured retention for each Covered Person.

Notwithstanding the retentions and limits stated above, the Company will also retain \$8 per employee per month which shall accrue to an Aggregating Specific Deductible.

### **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Organization with the Department and present the financial condition of the Organization for the period ending December 31, 2022. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

EDUCATORS MUTUAL INSURANCE ASSOCIATION  
BALANCE SHEET

as of December 31, 2022

ASSETS

|   | <u>Net Admitted<br/>Assets</u> |
|---|--------------------------------|
| Bonds   | \$82,127,675                   |
| Common stocks   | 62,309,583                     |
| Mortgage loans on real estate   | 2,319,373                      |
| Real estate   | 21,901,175                     |
| Cash, cash equivalents and short-term investments                       | 19,345,605                     |
| Other invested assets   | 152,923                        |
| Investment income due and accrued                                       | 2,183,874                      |
| Uncollected premiums and agents' balances in the course of collection   | 1,950,978                      |
| Amounts recoverable from reinsurers                                     | 15,102                         |
| Amounts receivable relating to uninsured plans                          | 4,427,720                      |
| Current federal and foreign income tax recoverable and interest thereon | 6,525                          |
| Electronic data processing equipment and software                       | 141,431                        |
| Receivables from parent, subsidiaries and affiliates                    | 3,949,459                      |
| Health care and other amounts receivable                                | 18,209                         |
| Total Assets  | <u>\$200,849,633</u>           |

EDUCATORS MUTUAL INSURANCE ASSOCIATION  
BALANCE SHEET (Continued)

as of December 31, 2022

LIABILITIES, SURPLUS, AND OTHER FUNDS

|  | <u>Current Year</u>  |
|--|----------------------|
| Claims unpaid  | \$ 6,627,560         |
| Unpaid claims adjustment expenses                      | 222,333              |
| Aggregate health policy reserves                       | 5,622,950            |
| Aggregate life policy reserves                         | 132,821              |
| Aggregate health claim reserves                        | 155,278              |
| Premiums received in advance                           | 34,209               |
| General expenses due or accrued                        | 5,854,200            |
| Ceded reinsurance premiums payable                     | 76,363               |
| Amounts withheld or retained for the account of others | 1,382,383            |
| Remittances and items not allocated                    | 719,849              |
| Liability for amounts held under uninsured plans       | 4,710,249            |
| Aggregate write-ins for other liabilities              | 2,854,784            |
| Total Liabilities                                      | <u>\$28,392,979</u>  |
| Unassigned funds (surplus)                             | <u>\$172,456,654</u> |
| Total Capital & Surplus                                | <u>\$172,456,654</u> |
| Total Liabilities, Capital & Surplus                   | <u>\$200,849,633</u> |

EDUCATORS MUTUAL INSURANCE ASSOCIATION  
STATEMENT OF INCOME

for the Year-Ended December 31, 2022

|  | Current Year |
|--|--------------|
| Member Months  | 728,738      |
| Net premium income   | \$31,276,416 |
| Aggregate write-ins for other health care related revenues                       | 298,294      |
| Aggregate write-ins for other non-health revenues                                | 116,451      |
| Total revenues:  | 31,691,161   |
| Hospital/medical benefits  | 6,391,772    |
| Other professional services  | 20,754,525   |
| Outside referrals  | 817,387      |
| Emergency room and out-of-area   | 249,784      |
| Prescription drugs   | 48,993       |
| Subtotal hospital and medical expenses:  | 28,262,461   |
| Net reinsurance recoveries   | 2,212,675    |
| Total hospital and medical   | 26,049,786   |
| Non-health claims (net)  | 32,097       |
| Claims adjustment expenses, including cost containment expenses                  | (2,004,900)  |
| General administrative expenses  | (2,998,581)  |
| Increase in reserves for life and accident and health contracts                  | 298,243      |
| Total underwriting deductions  | 21,376,645   |
| Net underwriting gain or (loss)  | 10,314,516   |
| Net investment income earned   | 2,524,675    |
| Net realized capital gains (losses) less capital gains tax                       | 55,899       |
| Net investment gains (losses)  | 2,580,574    |
| Net income or (loss) after capital gains tax and before all federal income taxes | 12,895,090   |
| Federal and foreign income taxes incurred  | 41,007       |
| Net income (loss)  | \$12,854,083 |

**EDUCATORS MUTUAL INSURANCE ASSOCIATION  
RECONCILIATION OF CAPITAL AND SURPLUS**

2019 through 2022

|   | 2019          | 2020          | 2021          | 2022          |
|---|---------------|---------------|---------------|---------------|
| Capital and surplus, December 31, prior year        | \$99,740,708  | \$121,465,090 | \$147,132,691 | \$159,354,804 |
| Net income  | \$14,063,234  | 11,526,188    | 13,757,293    | 12,854,083    |
| Change in net unrealized capital gains (losses)     | 7,796,777     | 13,402,531    | (1,890,909)   | (474,602)     |
| Change in nonadmitted assets                        | 96,852        | (34,743)      | 20,941        | 788,300       |
| Change in unauthorized and certified reinsurance    | (381,124)     | 381,124       | 0             | 0             |
| Aggregate write-ins for gains and losses in surplus | 148,643       | 392,501       | 334,787       | (65,931)      |
| Net change in capital and surplus for the year      | 21,724,382    | 25,667,601    | 12,222,112    | 13,101,850    |
| Capital and surplus, December 31, current year      | \$121,465,090 | \$147,132,691 | \$159,354,804 | \$172,456,654 |

## **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS**

No adjustments were made to surplus as of December 31, 2022 as a result of the examination.

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

There are no comments on financial statement items as of December 31, 2022, as a result of the examination.

## **SUBSEQUENT EVENTS**

No material subsequent events were identified during the examination fieldwork.

## **ACKNOWLEDGEMENT**

Becky Sheppard FSA, MAAA, Actuarial Manager, and Kenneth Mwangi, Actuarial Senior Associate, both of Risk & Regulatory Consulting, LLC, performed the actuarial review of the examination. Tracy Gates, CISA, CFE, CPA, and Lori Shores, CISA, both of Highland Clark, LLC, performed the information systems review. Malis Rasmussen, MSA, CFE, SPIR, Chief Financial Examiner, Utah Insurance Department, supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Organization.

Respectfully submitted,

*Madison Browne*

Madison Browne, PIR  
Examiner-in-Charge  
Utah Insurance Department