

Report on the Examination

As of June 30, 2021

of

Vermont Education Health Initiative, Inc.

by the





State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

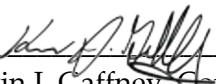
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Suzanne Dirmaier
Chair of the Board
Vermont Education Health Initiative, Inc.

ORDER OF ADOPTION

In accordance with 8 V.S.A. § 3563 and Regulation I-90-1, I order that the Report on the Examination of Vermont Education Health Initiative, Inc. for the year ending June 30, 2021, is adopted.

Vermont Education Health Initiative, Inc. may appeal against this order within 30 days of its adoption in accordance with the Vermont Administrative Procedure Act and Department of Financial Regulation Rule 82-1.



Kevin J. Gaffney, Commissioner

04/05/2024

Date



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March 18, 2024

Kevin J. Gaffney, Commissioner
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

Dear Commissioner Gaffney:

Pursuant to the January 12, 2022, examination order, the Insurance Division's financial examination team has conducted an examination of:

Vermont Education Health Initiative, Inc.
with its offices located at
52 Pike Drive
Berlin, VT 05602

The examination was performed pursuant to 8 V.S.A. §3563 and Regulation I-90-1, in order to ascertain the Company's financial condition, ability to fulfill its obligations and compliance with the provisions of Vermont law.



SCOPE OF EXAMINATION

As of June 30, 2021, the financial examination of the Vermont Education Health Initiative, Inc. (VEHI or the Company) was performed. The examination was conducted by the Insurance Division of the Vermont Department of Financial Regulation (Department).

The examination was conducted pursuant to 8 V.S.A. §3563 and Regulation I-90-1, and guidance provided by the National Association of Insurance Commissioners (NAIC). The examination covered the period from July 1, 2016 through June 30, 2021. The Department conducted the examination in accordance with NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of VEHI and evaluate system controls and procedures used to mitigate those risks. The examination also includes identifying and evaluating significant risks that could cause VEHI's net position to be materially misstated both currently and prospectively.

All accounts and activities of VEHI 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 Generally Accepted Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during the examination, the impact of such adjustment will be documented separately following VEHI's financial statements.

This examination report includes significant findings of fact, as mentioned in 8 V.S.A. §3574 and general information about VEHI 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 regulators and/or VEHI.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings in the current exam report. There were no adjustments made to the financial statements based on this examination.

HISTORY

VEHI was formed in 1996 by the Vermont National Education Association (VT NEA) and the Vermont School Boards Insurance Trust, Inc. (VSBIT) and provides health coverage and other related coverages to schools and related organizations. Effective October 1, 2018, VEHI is governed by the Vermont School Boards Association (VSBA) and the VT NEA. Membership in VEHI is limited to municipal school districts and their instrumentalities and agencies. Organizations joining VEHI are required to remain a member for a minimum of one year. In 2016, the Board added a two-year waiting period for a member to rejoin after leaving the program. VEHI is owned by member school districts and is under the supervision of a Board of Directors consisting of three members appointed by the VSBA and three members appointed by the VT NEA. VEHI currently provides health coverage to 148 schools and related organizations and dental coverage to 106 schools and related organizations.

MANAGEMENT AND CONTROL

Corporate Records

VEHI's statutory home office is located in Berlin, Vermont, and VEHI maintains its corporate records in this location. Examiners reviewed the minutes of the Board of Directors and key committees thereof and determined that the minutes adequately approve and support VEHI's transactions and events and that the meetings and minutes are in compliance with VEHI's articles and By-Laws.

Members

The By-Laws state that membership is limited to those school districts, supervisory unions and education-related organizations which are eligible to participate in the intermunicipal agreement. The annual meeting of Members is held for the transaction of business that comes before the

meeting. At any meeting a total of five members, represented in person or by proxy, constitutes a quorum.

Board of Directors

The By-Laws, as of June 30, 2021 indicate that the Board of Directors consists of six individuals, three appointed by the VSBA and three appointed by the VT NEA. No Director shall be an employee of the appointing organization. Meetings of the Board take place annually, monthly or as necessary. No fewer than two Directors appointed by both the VSBA and the VT NEA will constitute a quorum for the transaction of business.

The following individuals were elected to the Board of Directors of the Company in accordance with the By-Laws and serving as of June 30, 2021:

<u>Name and Principal Business Association:</u>	<u>Residence:</u>
Geo Honigford VSBA Appointee	Vermont
Elizabeth Grout VT NEA Appointee	Vermont
Zach McLaughlin VSBA Appointee	Vermont
Joel Cook VT NEA Appointee	Vermont
Tracy Wrend VSBA Appointee	Vermont
Peggy Maxfield VT NEA Appointee	Vermont

Officers

The Company's By-Laws state that the Officers will be a Chair, Vice-Chair, President and Secretary, each of whom will be elected by the Directors. As of the exam date, the Company has

opted to not elect an individual to fill the position of President, instead the duties of President are shared by Chair and Vice Chair of the Board.

The Officers of the Company as of June 30, 2021 were as follows:

<u>Name</u>	<u>Title</u>
Tracy Wrend	Chair
Joel Cook	Vice Chair
Zach McLaughlin	Secretary

Affiliated Companies

The Company is operated jointly by VSBIT and the VT NEA. The Company contracts with VSBIT to provide wellness, administrative and financial services. The Company contracts with the VT NEA to provide administrative and employee education services. The Company also contracts with BCBS of Vermont, Northeast Delta Dental, Gallagher Benefits Services and Lincoln Financial Group for services related to health coverage, dental coverage and support for a long-term disability life insurance program.

TERRITORY AND PLAN OF OPERATIONS

The Company offers high quality employee benefit options (including fully insured health, dental and sponsorship of a long-term disability insurance program) and related services to its members. VEHI plays an active role in all areas of health care and related benefit plan design, financing, marketing, risk management, wellness consumer education and customer service. VEHI also provides health coverage benefits to retired teachers and their dependents through the Vermont Teachers Retirement System.

REINSURANCE

The Company obtains stop loss coverage for the health program. Coverage for individual stop loss was \$750,000 and aggregate stop loss was per individual on an annual basis as of June 30, 2021.

FINANCIAL STATEMENTS

The following financial statements filed by the Company with the Department present the financial condition of the Company as of June 30, 2021, in accordance with generally accepted accounting principles (GAAP).

Statement of Net Position

Assets:

Cash	\$	-
Investments		57,773,460
Accrued interest receivable		714
Contribution receivable		889,852
Working fund deposit		4,931,103
Other receivables		1,689,592
Prepaid expenses		71,586
		<hr/>
Total assets	\$	<u>65,356,307</u>

Liabilities:

Cash overdraft	\$	1,173,578
Accounts payable		576,191
Assessments payable		810,648
Unearned revenue		1,065,178
Claims payable		5,960,224
Claims to be paid		10,918,174
Reserve for unallocated loss adjustment expenses		15,073
		<hr/>
Total liabilities		<u>20,519,066</u>

Net Position:

Unrestricted net position		<u>44,837,241</u>
		<hr/>
Total net position		<u>44,837,241</u>
		<hr/>
Total liabilities and net position	\$	<u>65,356,307</u>

Statement of Revenues, Expenses and Changes in Net Position

<u>Operating revenues:</u>	
Health contributions	\$ 290,661,919
Dental contributions	6,946,138
Administrative performance revenue	<u>11,500</u>
 Total operating revenues	 <u>297,619,557</u>
 <u>Operating expenses:</u>	
Net change in health claims paid and reserved	262,811,972
Net change in dental claims paid and reserved	6,984,349
Reinsurance - health	3,445,639
Capitation - health	2,166,337
Assessments	4,668,893
Program administration - health	14,941,428
Program administration - dental	504,997
General and administrative expenses	2,004,722
Wellness grants and expenses	<u>2,221,328</u>
 Total operating expenses	 <u>299,749,665</u>
 Net operating loss	 <u>(2,130,108)</u>
 <u>Non-operating revenues (expenses):</u>	
Investment income	2,757,099
Investment fees	<u>(36,932)</u>
 Total non-operating revenues (expenses)	 <u>2,720,167</u>
 Change in net position	 590,059
 Net position - beginning of year	 <u>44,247,182</u>
 Net position - end of year	 <u>\$ 44,837,241</u>

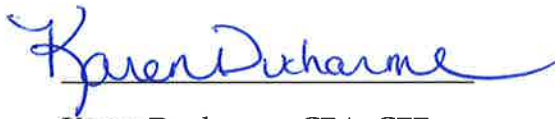
COMMENTS AND RECOMMENDATIONS

There are no significant findings or financial adjustments as a result of this examination.

CONCLUSION

In addition to the undersigned, Jesse Lussier, Administrative Insurance Examiner, Miranda Cloutier, Examiner in Charge, and Lisa Bergeron, Examiner, participated in this examination. We wish to express our appreciation to the Directors and Management for the courteous cooperation extended during the examination.

Respectfully submitted,



Karen Ducharme, CPA, CFE
Director of Company Licensing and Examinations -
Division of Insurance
Vermont Department of Financial Regulation

STATE OF VERMONT
COUNTY OF WASHINGTON

Karen Ducharme, being duly sworn, deposes and says that the foregoing report submitted by her is true to the best of her knowledge and belief.

Subscribed and sworn to before me

This 5th day of April, 2024



Notary Public