

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Educational Service Centers Risk Funding Trust)
1027 West Rudsill Boulevard)
Fort Wayne, IN 46807)


Examination of: **Educational Service Centers Risk Funding Trust**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Educational Service Centers Risk Funding Trust, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on November 28, 2018, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Educational Service Centers Risk Funding Trust shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

2/13/2019 _____  _____
Date Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0304

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Educational Service Centers Risk Funding Trust)
1027 West Rudsill Boulevard)
Fort Wayne, IN 46807)

Examination of: **Educational Service Centers Risk Funding Trust**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Educational Service Centers Risk Funding Trust (hereinafter "Company") for the time period January 1, 2012 through December 31, 2016.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on August 1, 2018.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on November 28, 2018 and was received by the Company on December 3, 2018.

The Company did not file any objections.


NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Educational Service Centers Risk Funding Trust as of December 31, 2016.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Educational Service Centers Risk Funding Trust to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 13 day of
February, 2019.



Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

EDUCATIONAL SERVICE CENTERS RISK FUNDING TRUST

NAIC Co. CODE 14489

As of

December 31, 2016

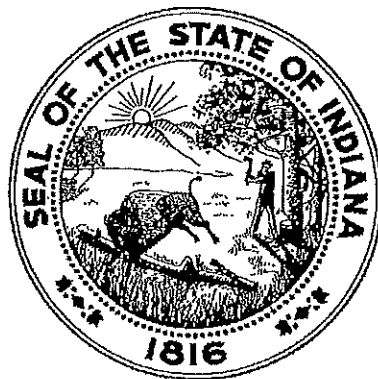


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY.....	2
SURPLUS.....	2
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE TRUST.....	4
MANAGEMENT AND CONTROL.....	4
Directors.....	4
CORPORATE RECORDS.....	4
Trust Agreement.....	4
Bylaws.....	4
Minutes.....	4
CONTRACT DOCUMENTATION.....	4
FIDELITY BOND AND OTHER INSURANCE.....	6
EXCESS LOSS FUND INSURANCE PROTECTION.....	6
ACCOUNTS AND RECORDS.....	6
FINANCIAL STATEMENTS.....	7
Assets, Liabilities and Fund Balance.....	7
Statement of Net Contributions and Changes in Fund Balance.....	8
COMMENTS ON THE FINANCIAL STATEMENTS.....	9
OTHER SIGNIFICANT ISSUES.....	9
SUBSEQUENT EVENTS.....	9
AFFIDAVIT.....	10



STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

August 1, 2018

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3955, an examination has been made of the affairs and financial condition of:

Educational Service Centers Risk Funding Trust
1027 West Rudsill Boulevard
Fort Wayne, Indiana 46807

hereinafter referred to as the "Trust", or "ESCRFT", an Indiana school trust which offers a risk pooling vehicle for the Indiana K-12 school community. The examination was conducted at the corporate offices of the Trust's representatives and the offices of Noble Consulting Services, Inc. (Noble)

The Report of Examination, reflecting the status of the Trust as of December 31, 2016, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
317-232-2413

COMPANY COMPLIANCE
317-232-3495

CONSUMER SERVICES
317-232-2395/1-800-622-4461

FINANCIAL SERVICES
317-232-2390

MEDICAL MALPRACTICE
317-232-2402

COMPANY RECORDS
317-232-5692

STATE HEALTH INSURANCE PROGRAM
1-800-452-4800

SCOPE OF EXAMINATION

The Trust has not been previously examined by representatives of the Indiana Department of Insurance. The present risk focused examination was conducted by Noble, and covered the period from January 1, 2012 through December 31, 2016, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *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 Trust 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 Trust 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. The examination 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 Trust's financial statements.

This examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer 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 the Trust.

HISTORY

ESCRFT is an Indiana school trust pursuant to IC 20-42.5-2-1 and Rule 760 Indiana Administrative Code 1-75. The Trust is a risk pooling vehicle offered to Indiana K-12 school communities. The Trust began operations on January 1, 2008, with nine (9) educational participants and as of December 31, 2016 had fifty two (52) educational participants, including the twelve (12) participants that were added in 2016.

SURPLUS

As of December 31, 2016, the Trust's fund balance was \$1,641,809. Educational participants do not vest in the fund balance, however the Trust may make distributions, based on specific minimum funding requirements. Since inception, no fund balance distributions have been made.

TERRITORY AND PLAN OF OPERATION

The Trust is authorized to provide property and casualty insurance, worker's compensation insurance, automobile liability, professional liability, boiler and machinery insurance, crime, and other lines of insurance to Indiana public school corporations and educational service centers. As of December 31, 2016, the Trust has fifty two (52) educational participants listed below:

- **Region 1**
 - Southern Indiana Education Center
 - Eastern Greene Schools
 - White River Valley School Corporation
 - MSD of Shakamak
 - Perry Central CSC
 - MSD of Mt. Vernon
 - Posey County Special Services
 - Vincennes CSC
 - Knox County Special Education Cooperative
 - Southeast Dubois County School Corporation
 - Twin Rivers CTE Area
- **Region 2**
 - Batesville Community Schools
 - Medora Community Schools
 - Southwestern Jefferson County Schools
 - Madison Area Educational Special Services Unit
 - South Ripley Community School Corporation
- **Region 3**
 - West Central Indiana Educational Service Center
 - Area 30 Career Center Educational Interlocal
 - Eminence CSC
 - Southwest Parke CSC
 - Old National Trail Special Services Cooperative
 - Mill Creek CSC
 - Brown County Schools
 - North West Hendricks School Corporation
 - South Putnam CSC
- **Region 4**
 - East Central Educational Service Center
 - Elwood Community School Corporation
 - Wes-Del Community Schools
- **Region 4 (continued)**
 - South Henry School Corporation
- **Region 5**
 - Carroll Consolidated School Corporation
 - Covington CSC
 - Rensselaer Central Schools Corporation
 - Southeast Fountain School Corporation
 - Wabash Valley Education Center
- **Region 6**
 - Northwest Indiana Education Service Center
 - North Newton School Corporation
 - Northwest Indiana Special Education Cooperative
 - Kankakee Valley School Corporation
 - Porter Township School Corporation
- **Region 7**
 - Northern Indiana Education Service Center
 - Eastern Pulaski CSC
 - Joint Educational Services in Education
 - South Central CSC
 - Union-North United School Corporation
 - MSD of New Durham Township
 - Triton School Corporation
 - Argos CSC
 - Tippecanoe Valley School Corporation
 - Westview School Corporation
- **Region 8**
 - Region 8 Education Service Center
 - Heartland Career Center Inc.
- **Region 9**
 - MSD of Martinsville

GROWTH OF THE TRUST

Year	Admitted Assets	Liabilities	Fund Balance	Contributions	Net Contributions
2016	\$ 3,624,351	\$ 1,982,542	\$ 1,641,809	\$ 2,458,603	\$ (39,205)
2015	3,075,521	1,379,735	1,695,786	1,902,235	98,829
2014	2,647,454	1,050,591	1,596,863	1,489,600	179,956
2013	2,946,572	1,529,665	1,416,907	1,403,552	709,294
2012	2,146,732	1,442,119	704,613	1,281,410	77,654

The largest factor in the growth of the Trust during the period of examination has been the increase in educational participants.

MANAGEMENT AND CONTROL

Directors

The Trust Agreement states that each educational participant shall be entitled to appoint one (1) Trustee to the Trust. The Bylaws provide that the business affairs of the Trust are to be managed by a Board of Directors (Board) consisting of no less than three (3) directors, including two (2) Co-Chairpersons and a Secretary. As of December 31, 2016, Ted Chittum and Mary Roberson were Co-Chairpersons and John Wenning was the Secretary.

CORPORATE RECORDS

Trust Agreement

The Trust Agreement is periodically amended to include the signatures of new educational participants.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and committee meeting minutes were reviewed for the period under examination through the fieldwork date. No significant actions were noted.

CONTRACT DOCUMENTATION

Administrative Services Agreement

Effective January 1, 2008, the Trust and ONB Benefits Administration, LLC d/b/a J.W.F. Specialty Company, an Indiana Limited Corporation (JWF), entered into an Administrative Services Agreement. The purpose of the agreement is to authorize JWF to provide certain administrative and managerial services, which are defined in the agreement. Effective January 1, 2015, Addendum C was added to the contract which renewed the contract through December 31, 2019.

Legal Services Agreement

Effective July 1, 2015, the Trust entered into a Legal Services Agreement with Bose McKinney & Evans LLP, to provide legal support services. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – East Central Education Service Center

Effective January 1, 2014, the Trust entered into an Independent Contractor Agreement with East Central Education Service Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – Dr. Carrie Milner

Effective January 1, 2014, the Trust entered into an Independent Contractor Agreement with Dr. Carrie Milner to provide certain marketing and related services to the Trust. This agreement was terminated during 2016.

Independent Contractor Agreement – Northern Indiana Education Center

Effective January 1, 2014, the Trust entered into an Independent Contractor Agreement with Northern Indiana Education Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – Northwest Indiana Education Center

Effective January 1, 2014, the Trust entered into an Independent Contractor Agreement with Northwest Indiana Education Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – Region 8 Education Service Center

Effective January 1, 2014, the Trust entered into an Independent Contractor Agreement with Northwest Indiana Education Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – Southern Indiana Education Center

Effective January 1, 2014, the Trust entered into an Independent Contractor Agreement with Southern Indiana Education Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – Wabash Valley Education Center

Effective January 1, 2014, the Trust entered into an Independent Contractor Agreement with Wabash Valley Education Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Independent Contractor Agreement – West Central Education Center

Effective January 1, 2014, the Trust entered into an Independent Contractor Agreement with West Central Education Center, to provide certain marketing and related services to the Trust. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal.

Property Insurance Valuation Services

On May 29, 2015, the Trust engaged CBIZ Valuation Group LLC to provide the Trust with certain property insurance valuation services. An annual updating service to trend the previously valued pool members' property is available per the agreement.

Risk Management Services Agreement

On October 1, 2014, the Trust engaged Arthur J. Gallagher Risk Management Services, Inc. to provide certain insurance brokerage and administration services to the trust. The Agreement is effective through December 31, 2017.

FIDELITY BOND AND OTHER INSURANCE

The Trust protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Fidelity and Deposit Company of Maryland. The bond has single loss coverage for employee theft of \$1,000,000 per occurrence, with a \$25,000 per occurrence deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

EXCESS LOSS FUND INSURANCE PROTECTION

For 2016, ESCRFT carried excess insurance for claims that exceed the Trust's pre-established loss fund of \$1,406,500. The aggregate protection is \$2,000,000 in excess of the loss fund. Claims in excess of the Trust's aggregate protection become the responsibility of the participant and not the Trust.

ACCOUNTS AND RECORDS

The Trust's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Trust's general ledger for the year ended December 31, 2016, was agreed to the respective Annual Statements. The Trust's accounting procedures, practices, and account records were deemed satisfactory.

EDUCATIONAL SERVICE CENTERS RISK FUNDING TRUST
 Assets, Liabilities and Fund Balance
 As of December 31, 2016

	Per Examination*
ASSETS	
Cash	\$ 3,608,537
Amounts recoverable from reinsurers	5,159
Aggregate Write-ins for other -than invested assets	10,655
Total Assets	\$ 3,624,351
 LIABILITIES and FUND BALANCE	
Losses	\$ 1,233,061
Loss adjustment expenses	138,175
Other expenses	135,106
Advance premiums	391,235
Ceded reinsurance premiums payable	84,965
Total Liabilities	1,982,542
Fund Balance	1,641,809
	\$ 3,624,351

*There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts

EDUCATIONAL SERVICE CENTERS RISK FUNDING TRUST
Statement of Net Contributions and Changes in Fund Balance
For the year ending December 31, 2016

	Per examination*
Net Contributions from participants:	
Commercial multiple peril	\$ 425,116
Workers compensation	923,646
Other liability - occurrence	378,333
Other liability - claims made	284,603
Commercial auto liability	314,114
Auto physical damage	132,791
Total contributions	2,458,603
Losses and other expenses	
Losses incurred	1,801,958
Loss adjustment expense	251,020
Other underwriting expenses	465,866
Total underwriting deductions	2,518,844
Net contributions, before investment income and aggregate write-ins	(60,241)
Net investment income earned	9,831
Aggregate write-ins for misc income	11,205
Net Contributions	\$ (39,205)
Fund Balance, beginning of year	\$ 1,695,786
Net Contributions	(39,205)
Change in non-admitted assets	(14,772)
Fund Balance, end of year	\$ 1,641,809

*There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2016, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no significant issues identified as of December 31, 2016, based on the results of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of field work which were considered material events requiring disclosure in this Report of Examination.

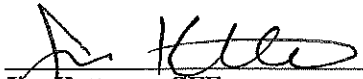
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of Educational Service Centers Risk Funding Trust, as of December 31, 2016.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

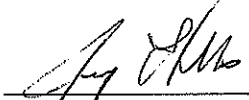
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of Educational Service Centers Risk Funding Trust as of December 31, 2016, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

Under the supervision of;



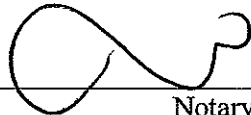
Jerry Ehlers, CFE
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 2 day of JANUARY, 2019, before me personally appeared, Jim Kattman, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 4, 2019



Notary Public

