REPORT ON EXAMINATION

OF THE

TENNESSEE INDEPENDENT COLLEGES AND UNIVERSITIES
ASSOCIATION BENEFIT CONSORTIUM, INC.

NASHVILLE, TENNESSEE

RECEIVED

MAY 30 2013

Dept. of Commerce & Insurance
Company Examinations

AS OF

DECEMBER 31, 2011

THE DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

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Nashville, Tennessee
May 30, 2013

Honorable Julie Mix McPeak
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. § 56-26-204, a financial examination and market conduct review was made of the condition and affairs of the

TENNESSEE INDEPENDENT COLLEGES AND UNIVERSITIES ASSOCIATION BENEFIT CONSORTIUM, INC.
1031 17TH AVENUE SOUTH
NASHVILLE, TENNESSEE

hereinafter and generally referred to as the Consortium, and a report thereon is submitted as follows:

INTRODUCTION

This examination was called by the Commissioner of Commerce and Insurance of the State of Tennessee and commenced on January 14, 2013. The examination was conducted by duly authorized representatives of the Department of Commerce and Insurance, State of Tennessee.

SCOPE OF EXAMINATION

This examination report covers the period from July 10, 2007, the date of the Organizational Examination, to the close of business on December 31, 2011, and includes any material transactions and events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with the *NAIC Financial Condition Examiners Handbook*. The examination was planned and performed to evaluate the financial condition and identify prospective risks of the Consortium by obtaining information about the Consortium, including corporate governance, identifying and assessing inherent risks within the Consortium, and evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions.

All accounts and activities of the Consortium were considered in accordance with the risk-focused examination process. In addition, the following topics were reviewed:

Previous Examination Comments and Recommendations
Company History
Charter and Bylaws
Management and Control
Corporate Records
Agreements with Parent, Subsidiaries and Affiliates
Fidelity Bonds and Other Insurance
Territory and Plan of Operation
Market Conduct Activities
Stop-Loss Insurance
Retirement Plan and Other Employee Benefits
Loss Experience
Accounts and Records
Statutory Deposits
Dividends or Distributions
Litigation
Financial Statement

PREVIOUS EXAMINATION COMMENTS AND RECOMMENDATIONS

The previous examination of the Consortium was conducted as of July 10, 2007, by a representative of the Tennessee Department of Commerce and Insurance. The adverse finding and its resolution is as follows:

> First Farmers and Merchants Bank Irrevocable Letter of Credit #1539460/4 issued for $9,567.33 was guaranteed by John A. Gupton College. This asset was non-admitted because it did not conform to NAIC requirements.
>
> Corrective Action: John A. Gupton College terminated its membership in the Consortium effective October 31, 2007, therefore the Letter of Credit is no longer reported as an asset.

COMPANY HISTORY

The Consortium was incorporated on December 5, 2000, under the Tennessee Business Corporation Act as a not-for-profit corporation authorized to transact business in the state of Tennessee. The Consortium was formed in order to establish an "employee welfare benefit plan" as defined by the Employee Retirement Income Security Act of 1974 (ERISA). The plan is for the payment of medical benefits to the participants who are current or former employees of the Members, and dependents and beneficiaries of the participants. In order to become a member of the Consortium, an institution has to be a member of the Tennessee Independent Colleges and Universities Association (Association).

Business commenced on May 1, 2001, with sixteen institutions joining between May 1 and June 1 of that year. The Internal Revenue Service issued a determination letter dated August 29, 2002, recognizing the Consortium as exempt from federal income tax under Internal Revenue Code § 501(a) as a voluntary employee benefit association described in Internal Revenue Code § 501(c)(9).

On March 5, 2004, the Consortium requested an Advisory Opinion from the United States Department of Labor stating that the Consortium was an employee welfare benefit plan for purposes of Title 1 of ERISA. On December 30, 2005, the United States Department of Labor sent a letter to the Consortium ruling that "the employer members of the Consortium would, at least in form, constitute a bona fide group or association of employers, and the Plan would, as least in form, constitute an employee welfare benefit plan for the purpose of Title 1 of ERISA."

Until Tenn. Comp. R. & Regs. § 0780-1-76 became effective on June 28, 2004, no specific statutes addressed the requirements for obtaining a certificate of authority for a "Multiple Employer Welfare Arrangement" (MEWA). The Consortium was granted its Certificate of Authority on August 13, 2007.

The following exhibit depicts certain aspects of the growth and financial history of the Consortium since the previous examination, according to annual statements filed with the Department of Commerce and Insurance, State of Tennessee:

Year	Net Premium	Net Investment Income	Medical & Hospital Expenses	Claims & Admin. Expenses	Net Income/ (Loss)	Admitted Assets	Capital and Surplus
2007	$6,005,208	$23,879	$5,620,684	$ 883,927	$ (475,524)	$1,676,855	$ 856,804
2008	6,671,232	11,623	5,720,556	871,772	90,527	1,967,269	956,898
2009	7,248,582	7,520	6,272,673	825,793	157,636	2,259,154	1,114,534
2010	8,250,626	5,506	7,235,963	778,831	241,338	2,519,532	1,355,872
2011	9,755,314	4,843	6,465,589	1,017,183	2,283,273	4,934,159	3,639,145

CHARTER AND BYLAWS

Charter:

The Charter was filed and recorded with the Tennessee Secretary of State on December 5, 2000. The stated purpose of the Consortium was:

> to establish and maintain a health and welfare plan for the payment of life, sick, accident and other similar benefits (hereinafter the "Plan") which shall constitute an "employee welfare benefit plan" within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA). The Directors shall hold all assets of the TICUA Benefit Consortium IN TRUST and for the exclusive benefit of the participants, their Dependents and Beneficiaries (as defined in the Bylaws). The TICUA Benefit Consortium shall constitute a "voluntary employee beneficiary association" within the meaning of Section 501(c)(9) of the Internal Revenue Code of 1986, as amended from time to time, and the Regulations promulgated thereunder (hereinafter Section 501(c)(9)), and shall provide life, sick, accident, or other benefits consistent with its exempt status under Section 501(c)(9). The TICUA Benefit Consortium is sponsored by the Tennessee Independent Colleges and Universities Association (TICUA), which has been in existence for more than five (5) years, and the TICUA Benefit Consortium has at least ten (10) members as specified by the relevant provisions of Tennessee Code Annotated, Title 56, Chapter 26.

The original street address of the Consortium's principal office was:

611 Commerce Street, Suite 2702
Nashville, TN 37203

An amendment to the Charter was filed and recorded with the Tennessee Secretary of State on November 15, 2004, changing the Registered Agent of the Consortium to:

C. Gregg Conroy
1031 17th Avenue South
Nashville, TN 37212

An amendment to the Charter was filed and recorded with the Tennessee Secretary of State on March 10, 2005, changing the principal address of the Consortium to:

1031 17th Avenue South
Nashville, TN 37212
County of Davidson

Bylaws:

The Bylaws of the Consortium in effect on December 31, 2011, were adopted by the Board of Directors (BOD) on January 18, 2005, and adopted by the Members on February 17, 2005. The Bylaws are such as are generally found in nonprofit corporations of this type. They are consistent with the charter and contain no unusual provisions.

The Bylaws state that the business and affairs of the Consortium shall be managed under the direction of a BOD, which shall not be reduced below three members. They also specify that the BOD shall appoint a Plan Administrator (who may also be referred to as the Executive Director), who shall have sole responsibility for determining the existence, nature and amount of the rights and interests of all persons in the Trust Fund, as well as such other duties as prescribed for plan administrators and named fiduciaries by ERISA.

The Bylaws state that premium rates for each benefit provided through the Consortium will be determined annually by the BOD, and that all costs and expenses for administering the Consortium's affairs shall be shared by the Members on a prorated basis using the number of each Member's covered employees as the basis for such proration. Each Member is required to make contributions as determined by the BOD in amounts sufficient to pay each Member's prorated share of the costs associated with the Plan including all liabilities of the Consortium that are unpaid, as well as premiums paid to any insurers as determined by the BOD. Contributions are irrevocable. However, contributions made in error of fact may be returned within one year after payment of such contribution.

MANAGEMENT AND CONTROL

Management:

The Bylaws vest the management of the business and affairs of the Consortium in a BOD of at least three persons. As of December 31, 2011, the BOD of the Consortium was composed of the following:

Name	Address	Position
Kenneth Camilo Massa	Memphis, Tennessee	Director of Human Resources, Christian Brothers University
Sherry Lynn Yelvington	Memphis, Tennessee	Vice President for Finance and Administration, Memphis College of Art
Gary Len Carter	Jackson, Tennessee	Senior Vice President for Business Services, Union University
Walter Giles Butler	McKenzie, Tennessee	Director of Financial Affairs, Bethel College

The BOD of the Consortium was composed of the following as of the date of this report:

Name	Address	Position
Sherry Lynn Yelvington	Memphis, Tennessee	Vice President for Finance and Administration, Memphis College of Art
Gary Len Carter	Jackson, Tennessee	Senior Vice President for Business Services, Union University
Charles Daniel Wortham	Memphis, Tennessee	Vice President for Administration and Finance, Christian Brothers University

As of December 31, 2011, the following persons held office in the Consortium:

Kenneth Camilo Massa	Chairman of the Board
Walter Giles Butler	Vice Chairman of the Board
Sherry Lynn Yelvington	Secretary
Gary Len Carter	Treasurer
Christopher Gregg Conroy	Executive Director

As of the date of this report, the following persons held office in the Consortium:

Gary Len Carter	Chairman of the Board
Sherry Lynn Yelvington	Secretary
Charles Daniel Wortham	Treasurer
Christopher Gregg Conroy	Executive Director

The administrative and executive functions of the Consortium are performed by staff employed by the Association, and provided to the Consortium under the terms of an Expense Reimbursement Agreement between the Consortium and the Association, as described in this report under the heading "Agreements with Parent, Subsidiaries and Affiliates." Certain services are purchased from outside contractors if needed and not available through the Expense Reimbursement Agreement. Such services include actuarial analysis, independent audit, and claims processing.

Control:

The Consortium is a mutual benefit corporation (nonprofit) pursuant to the guidelines of ERISA and Section 501(c)(9) of the Internal Revenue Code. Control is vested in the Members of the Consortium.

CORPORATE RECORDS

Minutes of the meetings of the BOD and Audit Committee of the Consortium were reviewed for the period under examination. In general, such minutes appear to be in proper order and accurately report the proceedings of each respective meeting.

AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

As of December 31, 2011, the Consortium had an expense reimbursement agreement with the Tennessee Independent Colleges and Universities Association. The agreement was made effective on May 1, 2001. The original term was one year ending April 30, 2002, to be automatically renewed for successive one year periods, unless either party notifies the other party of its intent not to renew within 90 days of the end of such term.

Under the agreement, the Association agrees to arrange and contract for such offices, equipment, supplies and personnel necessary for the Association and the Consortium to provide their respective services to the members of each organization. Each party agrees to maintain current records of the usage of the services provided under the agreement in order to determine the appropriate reimbursement in each year of the agreement.

The Consortium entered into a new expense reimbursement agreement with the Association effective January 1, 2013. The new agreement made adjustments to the monthly reimbursements paid by the Consortium to more accurately reflect the expenses incurred by the Association in providing its services.

FIDELITY BOND AND OTHER INSURANCE

The Consortium is covered by an employee theft policy issued by Hartford Fire Insurance Company. The coverage limits are as follows:

Type of Coverage	Limit of Insurance	Retention
Employee Theft	$ 500,000	$ 0

Hartford Fire Insurance Company is an authorized property and casualty insurer in Tennessee. Section 2580.412-9 of ERISA requires a fraud or dishonesty bond.

TERRITORY

As of December 31, 2011, the Consortium was licensed to transact business in Tennessee only. The Certificate of Authority was reviewed and found to be active.

PLAN OF OPERATION

The Consortium was formed in order to establish an employee welfare and benefit plan as defined by ERISA. Presently, it qualifies as a "Multiple Employer Welfare Arrangement" subject to Tenn. Code Ann. § 56-26-204.

The plan is for the payment of medical benefits to the participants who are current or former employees of the Members and dependents and beneficiaries of the participants.

In order to become a member of the Consortium, an institution must first be a member of the Association. Each member of the Consortium is required to sign the TICUA Benefit Consortium Membership and Adoption Agreement. The initial term of membership is generally three years.

The services of the two employees of the Association who serve as the staff of the Consortium are provided under an expense reimbursement agreement with the Association. Other services are purchased from outside contractors if needed. Such services include actuarial analysis, independent audit, and claims processing.

As of December 31, 2011, the Consortium had direct written premium as follows:

State	Accident and Health
Tennessee	$10,192,495
Total	$10,192,495

MARKET CONDUCT ACTIVITIES

In accordance with the policy of the Department of Commerce and Insurance, State of Tennessee, a market conduct review was made of the Consortium as of December 31, 2011, in conjunction with this examination. The following items were addressed:

Underwriting and Rating:

The Consortium's contribution rates were analyzed by a qualified actuary in accordance with Tenn. Comp. R. & Regs. § 0780-1-76-.08. The actuarial opinion issued as of December 31, 2011, states that the currently filed contribution rates are sufficient to fund the projected claims and costs of operation. It also states that the rates are not excessive, inadequate, or unfairly discriminatory.

Advertising:

The Consortium does no advertising.

Claims Review:

A sample of claim files reviewed during the examination indicated that claims were being paid in accordance with policy provisions and settlements were made promptly upon receipt of proper evidence of the Consortium's liability.

Policyholder Complaints:

Inquiries made to the policyholders' service offices indicated no concerns or complaints with the Consortium during the period under examination.

STOP-LOSS AGREEMENT

The primary intent of the Consortium's stop-loss agreement is to manage the Consortium's overall exposure to loss at or below a level that is within the capacity of its capital resources. The Consortium must also comply with Tenn. Comp. R. & Regs. § 0780-1-76-.04(3) which states that a MEWA "shall maintain specific and aggregate stop-loss insurance coverage covering one hundred percent (100%) of claims in excess of the attachment points recommended by a qualified actuary."

As of the date of this examination, the Consortium had a specific stop-loss insurance policy written by American United Life Insurance Company, which is an admitted insurer in Tennessee. Under the policy's specific coverage, the insurer agrees to indemnify the Consortium for covered medical and prescription drug expenses in excess of a two hundred thousand dollar ($200,000) specific retention per covered person, up to a maximum of two million dollars ($2,000,000). The Consortium does not have an aggregate stop-loss policy. In the actuarial opinion issued as of December 31, 2011, the actuary states that the stop-loss amounts and attachment points are appropriate, and that aggregate stop-loss is not necessary.

RETIREMENT PLAN AND OTHER EMPLOYEE BENEFITS

The Consortium has no employees. All personnel are provided by the Tennessee Independent Colleges and Universities Association under an expense reimbursement agreement discussed under the caption "Agreements with Parent, Subsidiaries and Affiliates."

LOSS EXPERIENCE

The loss experience of the Consortium for the period under examination, as reported in its Annual Statements, is as follows:

Year	Medical Expenses Incurred	Net Premiums Earned	Loss Ratio
2007	$ 5,620,684	$ 6,005,208	93.6%
2008	$ 5,720,556	$ 6,671,232	85.8%
2009	$ 6,272,673	$ 7,248,582	86.5%
2010	$ 7,235,963	$ 8,250,626	87.7%
2011	$ 6,465,589	$ 9,755,314	66.3%
Total	$31,315,465	$37,930,962	82.6%

ACCOUNTS AND RECORDS

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to confirm values for assets and liabilities appearing in the Consortium's financial statements. All of the Consortium's investment securities were confirmed with the custodian of such securities as of the date of this examination. General ledger trial balances were reconciled with copies of annual statements for the years 2007, 2008, 2009, 2010 and 2011. All annual statements for the period under examination were reviewed for completeness and accuracy of disclosure.

The Consortium's Risk-Based Capital Report was reviewed. The Consortium was in compliance with Title 56, Chapter 46, of the Tennessee Code Annotated (Risk-Based Capital for Insurers).

An annual audit of the Consortium is performed by an independent accounting firm.

STATUTORY DEPOSITS

In compliance with statutory requirements, the Consortium maintained the following deposits at December 31, 2011:

Where Deposited and Description	Par Value	Statement Value	Market Value
Tennessee			
U. S. Treasury Note, 1.0%, Due 3/31/12, CUSIP No. 912828MU1	$500,000	$500,038	$501,153
Total deposits held for the benefit of all policyholders of the Consortium	**500,000**	**500,038**	**501,153**
Total	**$500,000**	**$500,038**	**$501,153**

DIVIDENDS OR DISTRIBUTIONS

The Consortium's status as a "voluntary employee benefit association," as described in Internal Revenue Code Section 501(c)(9), does not permit any part of its assets to revert to any member. Therefore, no dividends were declared or paid.

LITIGATION

As of December 31, 2011, the Consortium was not currently involved in any legal proceeding which was deemed to be material.

FINANCIAL STATEMENT

There follows a statement of assets, liabilities and statement of income at December 31, 2011, together with a reconciliation of capital and surplus for the period under review, as established by this examination:

ASSETS

	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$ 500,038		$ 500,038
Cash and short-term investments	3,883,014		3,883,014
Investment income due and accrued	1,250		1,250
Health care and other amounts receivable	3,780		3,780
Aggregate write-ins for other than invested assets	546,077		546,077
Totals	$4,934,159	$ 0	$4,934,159

LIABILITIES, SURPLUS, AND OTHER FUNDS

Claims unpaid		$1,169,000
Unpaid claims adjustment expenses		110,966
General expenses due or accrued		9,828
Amounts withheld or retained for the account of others		5,220
Total Liabilities		1,295,014
Gross paid in and contributed surplus	$ 653,000	
Unassigned funds (surplus)	2,986,145	
Total capital and surplus		3,639,145
Totals		$4,934,159

STATEMENT OF REVENUE AND EXPENSES

	Uncovered	Total
Member months	XXX	20,755
Net premium income	XXX	$ 9,755,314
Aggregate write-ins for other non-health revenues	XXX	5,888
Total revenues	XXX	$ 9,761,202
MEDICAL AND HOSPITAL		
Hospital/medical benefits		$ 5,495,596
Prescription drugs		1,309,413
Subtotal		$ 6,805,009
LESS		
Net reinsurance recoveries		$ 339,420
Total hospital and medical		6,465,589
Claims adjustment expenses		560,146
General administrative expenses		457,037
Total underwriting deductions		$ 7,482,772
Net underwriting gain or (loss)	XXX	$ 2,278,430
Net Investment income earned		4,843
Net investment gains or (losses)		$ 4,843
Net income (loss)		$ 2,283,273

RECONCILIATION OF CAPITAL AND SURPLUS FOR THE PERIOD UNDER EXAMINATION

	2007	2008	2009	2010	2011
Capital and surplus prior reporting year	$ 1,179,495	$ 856,804	$ 956,898	$ 1,114,534	$ 1,355,872
Net income or (loss)	(475,524)	90,527	157,636	241,338	2,283,273
Change in nonadmitted assets	152,833	9,567			
Net change in capital and surplus	(322,691)	100,094	157,636	241,338	2,283,273
Capital and surplus, end of reporting year	**$ 856,804**	**$ 956,898**	**$ 1,114,534**	**$ 1,355,872**	**$ 3,639,145**

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION

Differences in various items were noted during the course of examination; however, none were considered to produce a material effect on surplus funds, as regards to policyholders, either singly or in aggregate.

SUMMARY SCHEDULE FOR "ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION" AS THEY AFFECT SURPLUS

No schedule or comment is applicable. All noted differences were within the tolerable error and planning materiality established for examination purposes.

COMMENTS AND RECOMMENDATIONS

Comments:

None.

Recommendations:

None.

CONCLUSION

Insurance examination practices and procedures, as promulgated by the NAIC, have been followed in connection with the verification and valuation of assets and the determination of liabilities of the Tennessee Independent Colleges and Universities Association Benefit Consortium located in Nashville, Tennessee.

In such manner, it was determined that as of December 31, 2011, the Consortium had admitted assets of four million, nine hundred thirty-four thousand, one hundred fifty-nine dollars ($4,934,159) and liabilities, exclusive of capital, of one million, two hundred ninety-five thousand, fourteen dollars ($1,295,014). Thus, there existed for the additional protection of the policyholders, the amount of three million, six hundred thirty-nine thousand, one hundred forty-five dollars ($3,639,145) in the form of gross paid-in and contributed surplus and unassigned funds (surplus).

The courteous cooperation of the officers and employees of the Consortium extended during the course of the examination is hereby acknowledged.

In addition to the undersigned, Bryant Cummings, CFE, Insurance Examiner for the state of Tennessee, participated in the work of this examination.

Respectfully submitted,

Rhonda Bowling-Black

Rhonda Bowling-Black, CFE
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

AFFIDAVIT

The undersigned deposes and says that she has duly executed the attached examination report of the Tennessee Independent Colleges and Universities Benefit Consortium dated May 30, 2013, and made as of December 31, 2011, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says she is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of her knowledge, information and belief.

Rhonda Bowling-Black

Rhonda Bowling-Black, CFE
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

Subscribed and sworn to before me

this 30th day of

May, 2013

Notary Helen W. Dorsey

County Davidson

State Tennessee

Commission Expires 03/03/2014

HELEN W DORSEY
STATE
OF
TENNESSEE
NOTARY
PUBLIC
DAVIDSON COUNTY

OPTUMInsight

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April 16, 2012

Mr. Gregg Conroy, CEBS, SPHR
Executive Director
TICUA Benefit Consortium
1031 17th Avenue South
Nashville, Tennessee 37212

RE: ACTUARIAL OPINION

Dear Gregg:

Enclosed is my statement of actuarial opinion dated April 16, 2012. This statement is being submitted in accordance with the Tennessee Department of Commerce and Insurance (TDCI) Rule 0780-1-76.

This opinion is based on a review of surplus, contribution rates, actuarial liabilities, stop-loss reinsurance, and related items identified herein, as shown in the December 31, 2011 financial statement of the Tennessee Independent Colleges and Universities Association Benefit Consortium (TICUA). This opinion has been prepared for the sole purpose of filing with the TDCI, in accordance with the instructions of Rule 0780-1-76.

Publication or use of the opinion, except as specifically provided above, is prohibited without our prior written consent.

OPTUMINSIGHT

James E. Drennan

James E. Drennan, F.S.A., M.A.A.A.

Principal

JED: bah

Enclosure

TICUA

Statement of Actuarial Opinion – December 31, 2011

I, James E. Drennan, Principal, am associated with the firm of OptumInsight, and am a Member of the American Academy of Actuaries. OptumInsight has been retained by TICUA with regard to the items discussed below.

Minimum Surplus

Rule 0780-1-76-.06 requires the greater of thirty percent of the unpaid claims liability of the arrangement or the amount recommended and certified by a qualified actuary.

The statutory required amount is 30% of the unpaid claims, which is $267,000.

I recommend that the plan hold amounts in addition to the statutory requirements, based on industry standards. I have made an analysis of the surplus for TICUA using the risk-based capital (RBC) benchmarks established by the NAIC for managed care organizations. The RBC benchmark was felt to be appropriate for TICUA. TICUA was established by the schools covered and has the normal risks assumed by the RBC formula for self-funded plans.

From our RBC analysis, the recommended minimum surplus based on the current covered population of TICUA is $653,000. Therefore, we recommend the plan hold more than the statutory minimum of $267,000, an amount of $653,000. The plan currently has more than this amount of statutory surplus.

Contribution Rates

Rule 0780-1-76-.08 requires contribution rates that fund the greater of (a) the amount recommended by a qualified actuary to remain financially solvent, or (b) the sum of the projected claims liability for the year, plus projected costs of operation, plus any deficiency in the surplus for all prior years, minus the surplus in excess of the minimum required.

Because TICUA has greater than minimum surplus as of December 31, 2011, the appropriate measure of contribution rates is defined by (b) above. I have analyzed the current and projected contribution rates for the duration of the contract.

In my opinion, the contribution rates currently filed with TDCI and provided to the member schools are sufficient to fund the projected claims and costs of operations for the plan year beginning May 1, 2012. Therefore, in total the contributions will be sufficient to fund projected claims and cost of operations, along with any deficiency in the surplus.

These contribution rates are not excessive, inadequate, or unfairly discriminatory.

Unpaid Claim Liability

Rule 0780-1-76-.09 requires an opinion on the unpaid claim liability. I have examined the assumptions and methods used in determining the unpaid claim liability, as shown in the financial statement of TICUA, as of December 31, 2011. In my opinion the amounts included in the audited financial statements are adequate for the unpaid claim liability, as well as appropriate claim settlement expenses and margin.

TICUA

Statement of Actuarial Opinion – December 31, 2011

Stop-loss Insurance

Rule 0780-1-76-.09 requires a recommended level of specific and aggregate stop-loss insurance. I have reviewed the appropriate level of specific and aggregate stop-loss insurance in conjunction with my analysis of the surplus level of TICUA. I feel the current specific stop-loss deductible of $200,000 is appropriate at this time. In addition, I do not feel that aggregate stop-loss reinsurance is necessary for TICUA, considering the nature of the risks assumed and the organizational structure.

Actuarial Soundness of the Arrangement

Rule 0780-1-76-.09 requires a description of the actuarial soundness of the arrangement, including any recommended actions to improve the actuarial soundness. In my opinion the current arrangement is actuarially sound, based on my review of the historical experience, current financial statements, current contracts, and my projections of future experience.

Reliances

I *relied upon* TICUA for the accuracy of the underlying records and summaries, as well as the audited financial statements. In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations, as I considered necessary.

I have not examined the assets of TICUA and have formed no opinion as to their validity or value. My opinion that TICUA's liabilities covered by this opinion make good and sufficient provision for all unpaid claims and other actuarial liabilities rests upon the assumption that these liabilities are backed by valid assets which have suitably scheduled maturities and adequate liquidity to meet cash flow requirements.

The actuarial methods, considerations and analyses used in forming my opinion conform to the relevant Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this statement of opinion.

James E. Drennan

James E. Drennan
Fellow, Society of Actuaries
Member, American Academy of Actuaries

Ingenix Consulting
2170 Satellite Boulevard, Suite 150
Duluth, GA 30097
Phone: (678) 417-4904

April 16, 2012

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TICUA
BENEFIT CONSORTIUM

RECEIVED

JUN 06 2013

Dept. of Commerce & Insurance
Company Examinations

June 4, 2013

Certified Mail
7008 1300 0001 7430 2714

James E. York, Jr., CFE, AES
Insurance Examinations Director
State of Tennessee
Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

RE: Financial Condition Examination of Tennessee Independent Colleges and Universities Association Benefit Consortium, Inc.

Dear Mr. York:

I am today in receipt of copy of the Financial Condition Examination Report of Tennessee Independent Colleges and Universities Association Benefit Consortium, Inc. made as of December 31, 2011. As requested in your letter of May 31, 2013, I am responding to advise you that we are in agreement with the report and wish to waive our right to a rebuttal.

I want to thank you and your examiners for your courtesy and for your work on behalf of the residents of Tennessee.

Sincerely,

C. Gregg Conroy

C. Gregg Conroy, CEBS, SPHR, CMS, Fellow ISCEBS
Executive Director

EXHIBIT
B

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