

Report of Examination of

Cooperative Group Benefits Plan
Dublin, Ohio

As of December 31, 2011

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Columbus, Ohio

February 1, 2013

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Cooperative Group Benefits Plan

an Ohio domiciled, multiple employer welfare arrangement, hereinafter referred to as the “Company.” The examination was conducted at the Company’s third-party administrator located at 4789 Rings Road, Dublin, Ohio.

Scope of Examination

The Department last examined the Company as of December 31, 2008. The Department’s current examination covers the period of January 1, 2009 through and including December 31, 2011.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The Certified Public Accounting firm of Hirth, Norris, and Garrison, LLP provided an unqualified opinion on the Company’s financial statements for all years under

examination based on Statutory Accounting Principles. The audited financial statements and audit work papers were reviewed during the examination.

Management and Control

Board of Trustees

Management of the Company is vested in its Board of Trustees, which was comprised of the following members as of the examination date:

<u>Name</u>	<u>Principal Occupation</u>
Keith Applegeet	Chief Executive Officer, Harvest Land Co-Op, Inc.
Ed Harra	Chief Executive Officer, Green Valley Co-Op, Inc.
Louis McIntire	Chief Executive Officer, Mercer Landmark, Inc.
Mark Roeth	Manager – Member Benefits, Land O’ Lakes Inc.
George Secor	Chief Executive Officer, Sunrise Cooperative, Inc.
Jeff Troike	Chief Executive Officer, Ceres Solutions, LLP
Gordon Wallace	Chief Operating Officer, Trupointe Cooperative, Inc.

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company’s Trust Agreement:

<u>Name</u>	<u>Title</u>
Jeff Troike	Chairman
Keith Applegeet	Vice Chairman
Mark Roeth	Secretary and Treasurer

Insurance Holding Company System

The Company is not a member of an insurance holding company system.

Territory and Plan of Operations

The Company is licensed to do business in the states of Ohio and Indiana. The Company provides hospital and medical coverage to the employees of the member cooperative groups operating in Ohio and Indiana. Land O' Lakes Inc. is the sponsoring organization of the multiple employer welfare arrangement.

Reinsurance

The Company has a specific stop loss reinsurance contract that provides coverage for losses above the Company's retention of \$375,000.

The Company also has an aggregate stop loss reinsurance contract which has a \$26,450,964 minimum aggregate deductible. There is a maximum aggregate benefit of \$1,000,000 in excess of the aggregate deductible.

The Company did not assume any reinsurance.

Financial Statements

The financial condition and the results of its operations for the year ending December 31, 2011, as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds

Statement of Income

Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Capital and Surplus
As of December 31, 2011**

Cash, cash equivalents and short-term investments	\$ <u>5,280,173</u>
Subtotal, cash and invested assets	5,280,173
Amounts recoverable from reinsurers	180,614
Healthcare and other amounts receivable	<u>156,777</u>
Total assets	<u><u>5,617,564</u></u>
Claims unpaid	2,600,000
Unpaid claims adjustment expenses	196,000
Accounts payable	<u>56,740</u>
Total liabilities	2,852,740
Unassigned funds	<u>2,764,824</u>
Total liabilities, capital and surplus	<u><u>\$ 5,617,564</u></u>

**Statement of Revenue and Expenses
For the Year Ending December 31, 2011**

Net premium income	\$ <u>24,698,646</u>
Total revenue	24,698,646
Hospital/medical benefits	20,437,106
Prescription drugs	3,345,695
Increase in IBNR	<u>300,000</u>
Subtotal	24,082,801
Less: Net reinsurance recoveries	<u>343,415</u>
Total hospital and medical	23,739,386
Claims adjustment expenses	1,548,014
General administrative expenses	<u>172,091</u>
Total underwriting deductions	25,459,491
Net underwriting loss	(760,845)
Net investment income earned	<u>21,280</u>
Net investment gain	21,280
Net loss	<u><u>\$ (739,565)</u></u>

Statement of Changes in the Capital and Surplus Account

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital and surplus, beginning of the year	<u>\$3,504,389</u>	<u>\$3,318,568</u>	<u>\$2,344,255</u>
Net income (loss)	<u>(739,565)</u>	<u>185,821</u>	<u>974,313</u>
Net change in capital and surplus during the year	<u>(739,565)</u>	<u>185,821</u>	<u>974,313</u>
Capital and surplus, end of the year	<u>\$2,764,824</u>	<u>\$3,504,389</u>	<u>\$3,318,568</u>

Notes to Financial Statements

Investments

The Company's investments in Invesco Prime Funds exceeded permissible amounts as specified in ORC Section 3925.08(D)(2) by \$91,471. No adjustment was made to the financial statements for this excess amount.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2011, and is summarized as follows:

Total Admitted Assets	<u>\$ 5,617,564</u>
Liabilities	\$ 2,852,740
Surplus	<u>2,764,824</u>
Total Liabilities and Surplus	<u>\$ 5,617,564</u>

Acknowledgement

In addition to the undersigned, David T. Finkler, CPA, CFE of the Department participated in this examination.

Respectfully,



David A. Cook, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2011.

David A. Cook 2/6/13
Assistant Chief Examiner Date

State of Ohio

County of Franklin

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 16 day of February, 2013.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires