

**State Bankers Association Group Insurance Trust**

Financial Statements

December 31, 2022 and 2021

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# STATE BANKERS ASSOCIATION GROUP INSURANCE TRUST

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## INDEPENDENT AUDITOR'S REPORT

To the Virginia Bankers Association Audit Committee of the Board of Directors  
State Bankers Association Group Insurance Trust  
Richmond, Virginia

### Opinion

We have audited the accompanying financial statements of State Bankers Association Group Insurance Trust (the "Trust"), which comprise the statements of net assets as of December 31, 2022 and 2021, and the related statements of changes in net assets for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of State Bankers Association Group Insurance Trust as of December 31, 2022 and 2021, and the changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of State Bankers Association Group Insurance Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Bankers Association Group Insurance Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State Bankers Association Group Insurance Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Bankers Association Group Insurance Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Other Matter – Form of Financial Statements**

The accompanying statements are those of State Bankers Association Group Insurance Trust, which are established under the State Bankers Association Group Insurance Trust and its health and welfare plans (the "Plans"); the statements do not purport to present the financial status of the Plans. The statements do not contain certain information on benefit obligations and other disclosures necessary for a fair presentation of the financial status of the Plans in conformity with accounting principles generally accepted in the United States. Furthermore, these statements do not purport to satisfy the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 relating to the financial statements of employee benefits plans.

Keiter

June 8, 2023  
Glen Allen, Virginia

## STATE BANKERS ASSOCIATION GROUP INSURANCE TRUST

Statements of Net Assets  
December 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 38,317	\$ 24,213
Receivables	<u>765</u>	<u>185</u>
Total assets	<u>\$ 39,082</u>	<u>\$ 24,398</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Premiums payable and accrued expenses	\$ 653	\$ 1,041
Net assets	<u>38,429</u>	<u>23,357</u>
Total liabilities and net assets	<u>\$ 39,082</u>	<u>\$ 24,398</u>

See accompanying notes to financial statements.

## STATE BANKERS ASSOCIATION GROUP INSURANCE TRUST

### Statements of Changes in Net Assets Years Ended December 31, 2022 and 2021

	2022	2021
Additions to net assets attributed to amounts from members:		
Group life insurance and AD&D	\$ 2,731,801	\$ 3,374,429
Long-term disability	1,591,659	1,759,081
Vision	783,513	845,472
Medicare supplement	470,889	530,761
Short-term disability	399,750	478,598
Hospital indemnity	351,857	347,885
Critical illness	328,347	341,775
Accident	230,983	242,760
Legal services	102,490	95,469
Long-term care	70,466	96,180
Total amounts from members	7,061,755	8,112,410
Deductions from net assets attributed to amounts paid to insurance companies:		
Group life insurance and AD&D	2,731,803	3,374,429
Long-term disability	1,591,659	1,759,081
Vision	782,636	827,973
Medicare supplement	470,889	530,761
Short-term disability	399,750	478,598
Hospital indemnity	351,857	347,885
Critical illness	328,347	341,775
Accident	230,965	242,760
Legal services	102,490	95,469
Long-term care	54,994	96,180
Total amounts paid to insurance companies	7,045,390	8,094,911
Investment fees, net of return	1,293	2,080
Total deductions	7,046,683	8,096,991
Increase in net assets	15,072	15,419
Net assets, beginning of year	23,357	7,938
Net assets, end of year	\$ 38,429	\$ 23,357

See accompanying notes to financial statements.

# STATE BANKERS ASSOCIATION GROUP INSURANCE TRUST

## Notes to Financial Statements

### 1. Organization and Nature of Activities:

The Virginia Bankers Association Benefits Corporation (“Benefits Corporation”), a Virginia corporation, is a wholly-owned subsidiary of the Virginia Bankers Association (“VBA”), the trade association for the banking industry in Virginia. Benefits Corporation offers VBA and other eligible state banking association members a program (the “Program”) of group employee health and welfare benefits that members may offer to their eligible employees and their dependents. The Program includes a variety of life, short-term disability, long-term disability, accidental death and dismemberment, vision, long-term care, accident and critical illness, hospital indemnity, Medicare supplement and pre-paid legal plans (collectively, the “Plans”). The Plans are fully insured pursuant to insurance policies (“Policies”).

The Benefits Corporation maintains the State Bankers Association Group Insurance Trust (the “Trust”) as a voluntary employees’ beneficiary association under Section 501(c)(9) of the Internal Revenue Code of the United States for the purpose of holding and utilizing contributed assets for the exclusive benefit of employees (and their eligible dependents and beneficiaries) of members that participate in the Plans. Each member that elects to participate in a Plan is the plan sponsor and plan administrator of its Plans, and each such member delegates to Benefits Corporation certain administrative duties and responsibilities with respect to such Plans. Benefits Corporation is the trust sponsor of the Trust, and Truist Bank is the trustee of the Trust. The Trust is a multiple employer welfare arrangement (“MEWA”) subject to federal and Virginia MEWA laws and regulations.

Each year, the Benefits Corporation and the Trust execute a participation agreement (“Participation Agreement”) with each employer member (a “Member”) that elects to participate in the Plans. The Participation Agreements set forth the rights, obligations and liabilities of the parties with respect to the Plans and the assets in the Trust, including among other things, the payment of premiums. The Plans require Members to make monthly payments based on rates that are fixed for the year and do not vary based on the Member’s claims experience. See Note 3 for more information about the Participation Agreements and Member payments to the Trust.

The Benefits Corporation and the Trust have procured insurance Policies with various insurance companies to pay claims incurred under the Plans. See Note 4 for more information about the insurance policies.

### 2. Summary of Significant Accounting Policies:

**Basis of Accounting:** The financial statements of the Trust are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

## STATE BANKERS ASSOCIATION GROUP INSURANCE TRUST

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**Revenue Recognition:** The Trust follows FASB guidance Accounting Standards update (“ASU”) No. 2014-09, *Revenue Recognition from Contracts with Customers (Topic 606)*. Topic 606 affects any entity that enters into contracts with customers to transfer goods, services, or nonfinancial assets. The standard’s core principle is that an entity should recognize revenue when it transfers promised goods or services and transfers of nonfinancial assets to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

The Trust recognizes revenue when earned. The performance obligation of the Trust to its customers is administration of the Trust. Specifically, the Trust is obligated to hold member premiums in the Trust until it is time to pay for the benefits. For all Plans, revenue is earned and recognized when payments are received from Members, which approximates the timing paid for benefits.

**Income Taxes:** As evidenced by a tax determination letter dated November 23, 2016, the Trust has received a favorable tax determination from the Internal Revenue Service specifying that the Trust is a voluntary employee’s beneficiary association and a qualified trust under Section 501(c)(9) of the Internal Revenue Code and the Trust is generally exempt from taxation under the provisions of Section 501(a) and the tax statutes of the Commonwealth of Virginia. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal or state income taxes. To the extent the assets in the Trust exceed statutory limits, the Trust may be subject to tax on its unrelated business income. Management has determined that the Trust does not have any material unrecognized tax benefits or obligations as of December 31, 2022 or 2021.

**Subsequent Events:** The Trust has evaluated subsequent events through June 8, 2023, the date the financial statements were available to be issued, and has determined that there are no subsequent events to be reported in the accompanying financial statements.



## STATE BANKERS ASSOCIATION GROUP INSURANCE TRUST

### Notes to Financial Statements, Continued

#### **3. Payments from Participating Members and Participation Agreements:**

Premiums for all of the Plans are paid by participating Members to the Benefits Corporation. Benefits Corporation applies a portion of those premiums to administrative fees and expenses for the Plans and Trust, and a remainder of the premiums are deposited in the Trust as Trust assets to be utilized for the benefit of Plan participants. "Amounts from members" on the Statements of Changes in Net Assets represents the amounts received from Members that are deposited into the Trust, and does not include the amounts the Benefits Corporation applies to administrative fees and expenses of the Plan and Trust. See Note 6.

The Benefits Corporation and the Trust execute a Participation Agreement with each Member that elects to participate in the Plans. The Participation Agreements set forth the rights, obligations, and liabilities of the parties with respect to the Plans and the assets in the Trust, including amount other things, the payment of premiums. Members are required to make monthly payments based on rates that are fixed for the year and do not vary based on the Member's claims experience.

The Trust and the Benefits Corporation, with assistance from the insurance companies that issue the applicable Policies, set the rates for each Plan that participating Members pay each year. The rates are designed to cover the Policy premiums and administrative fees and expenses.

#### **4. Payments to Insurance Companies and Claims Administrators:**

The Benefits Corporation and the Trust have procured insurance Policies with various insurance companies to pay claims under the Plans. The Trust pays the premiums for such Policies with the assets of the Trust. Such premiums are generally paid monthly. The insurance companies that issue the Policies are responsible for paying all claims and benefits under the Plans. The Benefits Corporation and the Trust are not responsible for paying any such claims or benefits.

Amounts paid to insurance companies on the Statements of Changes in Net Assets represent those payments described above to insurance companies for premiums for insurance Policies.

## STATE BANKERS ASSOCIATION GROUP INSURANCE TRUST

### Notes to Financial Statements, Continued

#### 5. Related Party Transactions:

Various affiliates of the Virginia Bankers Association participate in the Trust. Premiums paid by the individual affiliates were comprised of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Bankers Insurance, LLC	\$ 306,173	\$ 273,098
Virginia Bankers Association	56,413	57,996
Virginia Title Center, L.L.C.	19,812	19,126
West Virginia Bankers Title, L.L.C	6,669	7,154
Bankers Title, L.L.C.	5,940	9,056
Bankers Title Shenandoah, L.L.C.	<u>4,169</u>	<u>4,359</u>
	<u>\$ 399,176</u>	<u>\$ 370,789</u>

#### 6. Plans:

The financial statements are those of the Trust, not of the Plans or Benefits Corporation. The financial statements do not purport to present the financial performance or condition of the Plans or Benefits Corporation. The financial statements do not contain certain information on the benefit obligations and other disclosure necessary for a fair presentation of the financial status of the Plans in conformity with accounting principles generally accepted in the United States. Furthermore, the financial statements do not purport to satisfy the Department of Labor's Rules and Regulations for Reporting and Disclosures under the Employee Retirement Income Security Act of 1974 relating to the financial statements of employee benefit plans.