

State Bankers Association Group Insurance Trust

Financial Report

December 31, 2023

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
Glen Allen, Virginia

Opinion

We have audited the accompanying financial statements of State Bankers Association Group Insurance Trust (the "Trust"), which comprise the statement of net assets as of December 31, 2023, and the related statement of changes in net assets for the year 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 the Trust as of December 31, 2023, and the changes in its net assets for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the State Bankers Association Group Insurance Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 of America, 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 ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current trust instrument, including all trust amendments, administering the trust, and determining that the trust's transactions that are presented and disclosed in the financial statements are in conformity with the trust's provisions.

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 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 financial statements are those of the 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”); these financial statements do not purport to present the financial status of the Plans and do not contain certain information on benefit obligations and other disclosures necessary for a fair presentation of the financial status of the Plans in accordance with accounting principles generally accepted in the United States of America. Further, these financial 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 benefit plans.

Other Matter - Auditor's Report on the 2022 Financial Statements

The December 31, 2022 financial statements of the State Bankers Association Group Insurance Trust were audited by predecessor auditors. Their report, dated June 8, 2023, expressed an unmodified opinion on those statements.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
_____, 2024



Financial Statements



**STATE BANKERS ASSOCIATION
GROUP INSURANCE TRUST**

STATEMENTS OF NET ASSETS

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 39,578	\$ 38,317
Receivables	<u>1,234</u>	<u>765</u>
Total assets	<u>\$ 40,812</u>	<u>\$ 39,082</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Premiums payable and accrued expenses	\$ 462	\$ 653
Net Assets	<u>40,350</u>	<u>38,429</u>
Total liabilities and net assets	<u>\$ 40,812</u>	<u>\$ 39,082</u>

**STATE BANKERS ASSOCIATION
GROUP INSURANCE TRUST**

STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
AMOUNT FROM MEMBERS:		
Group life insurance and AD&D	\$ 2,879,488	\$ 2,731,801
Long-term disability	1,658,680	1,591,659
Vision	810,427	783,513
Medicare Supplement	448,198	470,889
Short-term disability	398,372	399,750
Hospital indemnity	372,237	351,857
Critical illness	353,853	328,347
Accident	243,918	230,983
Legal Services	128,816	102,490
Long-term care	69,531	70,466
	<hr/>	<hr/>
Total amounts from members	7,363,520	7,061,755
Investment income, net of fees	166	-
	<hr/>	<hr/>
Total additions	7,363,686	7,061,755
	<hr/>	<hr/>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
AMOUNTS PAID TO INSURANCE COMPANIES:		
Group life insurance and AD&D	\$ 2,879,488	\$ 2,731,803
Long-term disability	1,658,680	1,591,659
Vision	809,245	782,636
Medicare Supplement	448,198	470,889
Short-term disability	398,372	399,750
Hospital indemnity	372,066	351,857
Critical illness	353,551	328,347
Accident	243,818	230,965
Legal Services	128,816	102,490
Long-term care	69,531	54,994
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Total amounts paid to insurance companies	7,361,765	7,045,390
Investment fees, net of return	-	1,293
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Total deductions	7,361,765	7,046,683
	<hr/>	<hr/>
Net increase	1,921	15,072
NET ASSETS:		
Beginning of year	38,429	23,357
	<hr/>	<hr/>
End of year	\$ 40,350	\$ 38,429
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State Bankers Association Group Insurance Trust

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 1 – Plan Description

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.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting

The financial statements of the Trust are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”) as determined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

State Bankers Association Group Insurance Trust

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates and assumptions.

Cash and cash equivalents

The Trust considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash primarily consists of one publicly traded money market mutual fund.

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.

Subsequent events

Subsequent events have been evaluated through _____, 2024 the date the financial statements were available to be issued.

Note 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 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 among other things, the payment of

State Bankers Association Group Insurance Trust

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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.

Note 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.

Note 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>2023</u>	<u>2022</u>
Bankers Insurance, L.L.C.	\$ -	\$ 306,173
Virginia Bankers Association	58,972	56,413
Virginia Title Center, L.L.C.	17,920	19,812
West Virginia Bankers Title, L.L.C.	4,721	6,669
Bankers Title, L.L.C.	6,237	5,940
Bankers Title Shenandoah, L.L.C.	4,809	4,169
Total	<u>\$ 92,659</u>	<u>\$ 399,176</u>

Note 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.

State Bankers Association Group Insurance Trust

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7 – Tax Status

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, 2023 or 2022.