

REPORT OF QUALIFYING EXAMINATION
Of
WASHINGTON EMPLOYERS TRUST

Seattle, Washington

As of May 31, 2005



Exhibit A
Washington Employers Trust
Order No. G06-23

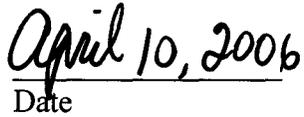
Washington Employers Trust

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Qualifying Examination of Washington Employers Trust of Seattle, Washington. This report shows the financial condition and related corporate matters as of May 31, 2005.



PATRICK H. McNAUGHTON
Chief Examiner


Date

Washington Employers Trust

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Washington Employers Trust

Seattle, Washington
April 10, 2006

The Honorable Mike Kreidler, Commissioner
Washington State Office of Insurance Commissioner (OIC)
Insurance Building – Capitol Campus
302-14th Avenue SW
Olympia, WA 98504

Dear Commissioner Kreidler:

In accordance with your instructions and in compliance with the statutory requirements of RCW 48.03.010, a qualifying examination has been made of the corporate records and financial condition of

WASHINGTON EMPLOYERS TRUST

of

Seattle, Washington

hereinafter referred to as "WET." This report of examination is respectfully submitted showing the condition of WET as of May 31, 2005.

SCOPE OF EXAMINATION

This examination included verification of WET's assets and liabilities as of May 31, 2005. The minimum surplus and cash deposits were tested for compliance with RCW 48.125.040(1)(b)(i)(A) and RCW 48.125.060. In addition, the examination included verification of compliance with the statutory requirements regarding WET's application for a Certificate of Authority to be a self-funded multiple employer welfare arrangement (MEWA) incorporated in the state of Washington.

Washington Employers Trust

HISTORY

Washington Employers Trust was created, through the Agreement and Declaration of Trust (the Trust Agreement), by Washington Employers, Inc. (the Association) on June 14, 1951. WET was established to provide health benefits, including medical, dental and vision care benefits to participating employers. WET also offers products for life, accidental death and dismemberment, short and long term disability, and group accident insurance; these products are insured with licensed insurance companies. WET has been self insured for over 15 years.

The Association was formed in 1936 as a not-for-profit group providing comprehensive human resource services. The Association and WET were established under the laws of the state of Washington.

Currently 247 member companies representing approximately 8,233 employees are covered by WET's medical, dental and vision plans. The member companies are all operating in the state of Washington.

On December 30, 2004, WET applied for a Certificate of Authority as a self-funded MEWA to provide health care services in the state of Washington.

MANAGEMENT AND CONTROL

Board of Trustees

WET has operated with a board of trustees, all of whom are appointed by the Association's board of directors. In accordance with provisions of the Trust Agreement, WET is administered by a board of trustees comprised of not less than three (3) or more than nine (9) members.

The current appointed trustees are as follows:

| <u>Name</u> | <u>Affiliation</u> |
|---------------|-----------------------------|
| Dan Devin | Washington Employers, Inc. |
| Ron Altier | Jorgenson Forge Corporation |
| Bill Fry | La Mexicana |
| Dan White | Washington Employers, Inc. |
| Wayne Bruning | The Lucks Company |
| John Loihl | Washington Employers, Inc. |
| Cliff Tingley | Mutual Materials Company |

Washington Employers Trust

Officers

Pursuant to the Trust Agreement, the Trustees elect one of its members as a chairman and one as a secretary. Currently elected members as of May 31, 2005 are:

| <u>Name</u> | <u>Title</u> |
|---------------|--------------|
| Dan Devin | Chairman |
| Wayne Bruning | Secretary |

AFFILIATED COMPANIES

The only two affiliated companies in the group are Washington Employers, Inc. and Washington Employers Trust.

SURPLUS

As of May 31, 2005, WET's surplus (total fund balance) equaled \$11,764,875 which was greater than the statutory surplus of \$2,000,000 required by RCW 48.125.060.

STATUTORY DEPOSIT

On April 6, 2005, WET deposited the sum of \$200,000 with Wells Fargo Bank in a tri-party depository agreement between WET, Wells Fargo Bank, and the Washington State Office of the Insurance Commissioner. The depository agreement was executed as required under RCW 48.125.040(1)(b)(i)(A).

RECOMMENDATION

Based on the findings and conclusions of the examiners, WET has sufficient surplus and meets the statutory deposit requirements to qualify for a Certificate of Authority as a Self-Funded Multiple Employer Welfare Arrangement to provide health care benefits in the state of Washington.

Washington Employers Trust

FINANCIAL STATEMENTS

The following examination financial statements show the financial condition of WET as of May 31, 2005:

Statement of Assets, Liabilities and Fund Balance As of May 31, 2005

| | <u>Balance</u> <u>Per Company</u> | <u>Adj.</u> <u>Note</u> | <u>Examination</u> <u>Adjustments</u> | <u>Balance Per</u> <u>Examination</u> |
|--------------------------------------|--------------------------------------|----------------------------|--|--|
| <u>ASSETS</u> | | | | |
| Cash and Deposit Account | \$1,764,886 | | | \$1,764,886 |
| Investments | 15,858,777 | 1 | \$(79,547) | 15,779,230 |
| Accrued Investment Earnings | 158,149 | | | 158,149 |
| Other Assets | 23,106 | | | 23,106 |
| Total Assets | \$17,804,918 | | \$(79,547) | \$17,725,371 |
| <u>LIABILITIES</u> | | | | |
| Claims Incurred But Not Paid | \$3,622,722 | | | \$3,622,722 |
| Other Liabilities | 2,337,775 | | | 2,337,775 |
| Total Liabilities | 5,960,497 | | 0 | 5,960,497 |
| <u>SURPLUS</u> | | | | |
| Unrestricted Fund Balance | 11,844,422 | | | 11,844,422 |
| Unrealized Losses on Investments | | 1 | (79,547) | (79,547) |
| Total Surplus | 11,844,422 | | (79,547) | 11,764,875 |
| Total Liabilities and Surplus | \$17,804,919 | | \$(79,547) | \$17,725,372 |

Adjustments

1. Investments are reflected in WET's balance sheet at cost. The adjustment recognizes the unrealized loss on the investments and reflects the market value as of May 31, 2005.

Washington Employers Trust

AFFIDAVIT

STATE OF WASHINGTON

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COUNTY OF KING

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Orlando R. Gabriel, AFE, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

Orlando R. Gabriel

Orlando R. Gabriel, AFE
Examiner-in-Charge
State of Washington

Subscribed and sworn to before me this 10th day of April, 2006.

Colleen Jansen

Notary Public in and for the
State of Washington.

