

Report of the Examination of
WEA Insurance Corporation
Madison, Wisconsin
As of December 31, 2020

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December 6, 2021

Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

WEA INSURANCE CORPORATION
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of WEA Insurance Corporation (the company or WEAI) was conducted in 2017 as of December 31, 2016. The current examination covered the intervening period ending December 31, 2020, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair

presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm, Lewis & Ellis, was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, dividends to policyholders, asset adequacy analysis, and deferred life insurance premiums. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

The company was organized in 1985 as the WEAIT Insurance Corporation; in 1991 its present name was adopted. WEA Insurance Corporation is licensed as a stock life insurance company under ch. 611, Wis. Stat., and is controlled by its shareholder, Wisconsin Education Association Insurance Trust (WEAIT or the Trust). Both WEAIT and WEAIC are recognized as Voluntary Employees' Beneficiary Associations (VEBA) and thus are exempt from federal income tax.

The major products marketed by the company include group health and vision insurance. There is a limited block of group life insurance and a closed block of group long-term care insurance. The major products are marketed through 127 agents for health and 51 for life.

All premiums are reported as group accident and health. The following chart is a summary of premium income as reported by the company in 2020. The growth of the company is discussed in the "Financial Data" section of this report.

Premium Income

Category	Direct Premiums Written	Percent of Total
Medical	\$642,847,441	99.4%
Life	993,984	0.2
Long-term care	1,015,237	0.2
Long-term disability	0	0.0
Vision	<u>974,981</u>	<u>0.2</u>
Total	<u>\$645,831,644</u>	<u>100.0%</u>

Category	Direct Reserves	Percent of Total
Medical	\$ 90,269,585	18.3%
Life	33,838,987	6.9
Long-term care	349,887,830	70.9
Long-term disability	19,455,281	3.9
Vision	<u> </u>	<u>0.0</u>
Total	<u>\$493,451,683</u>	<u>100.0%</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of no less than nine and no more than 13 members. All directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors also serve as members of the board for WEA Insurance Trust. The board members currently receive no compensation for serving on the board except for a daily stipend.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Joan Beglinger Cross Plains, Wisconsin	Consultant	2021
Gina Dennik-Champion McFarland, Wisconsin	Nurse Practitioner	2021
Margaret Guertler Berlin, Wisconsin	Retired Teacher	2023
Mike Halloran Milwaukee, Wisconsin	English/Journalism Teacher	2022
Amy Johnson Milwaukee, Wisconsin	Special Education Teacher	2023
Carol Kettner Rice Lake, Wisconsin	Retired Teacher	2021
Shelly Krajacic Kenosha, Wisconsin	NEA Executive Committee	2023
Sarah Kruger Verona, Wisconsin	Clinical Professor and Nurse Practitioner	2021
Mark Litow Mequon, Wisconsin	Retired Actuary	2021
Heather Mielke Elkhorn, Wisconsin	Math Teacher	2022
Andrew Staab St. Paul, Minnesota	US Bank ERISA Attorney	2023
Mary Theisen Franklin, Wisconsin	Retired Teacher	2021

Name and Residence	Principal Occupation	Term Expires
Daniel Weidner Bonduel, Wisconsin	Retired Teacher	2022

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office
Michael Quist	President/CEO ¹
Vaughn Vance	Vice President
Dawn Witek	Treasurer/Vice President
Barbara Ruegsegger	Secretary

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors.

The committees at the time of the examination are listed below:

Executive Committee

Mary Theisen, Chair
Margaret Guertler
Heather Mielke
Amy Johnson

Audit Committee

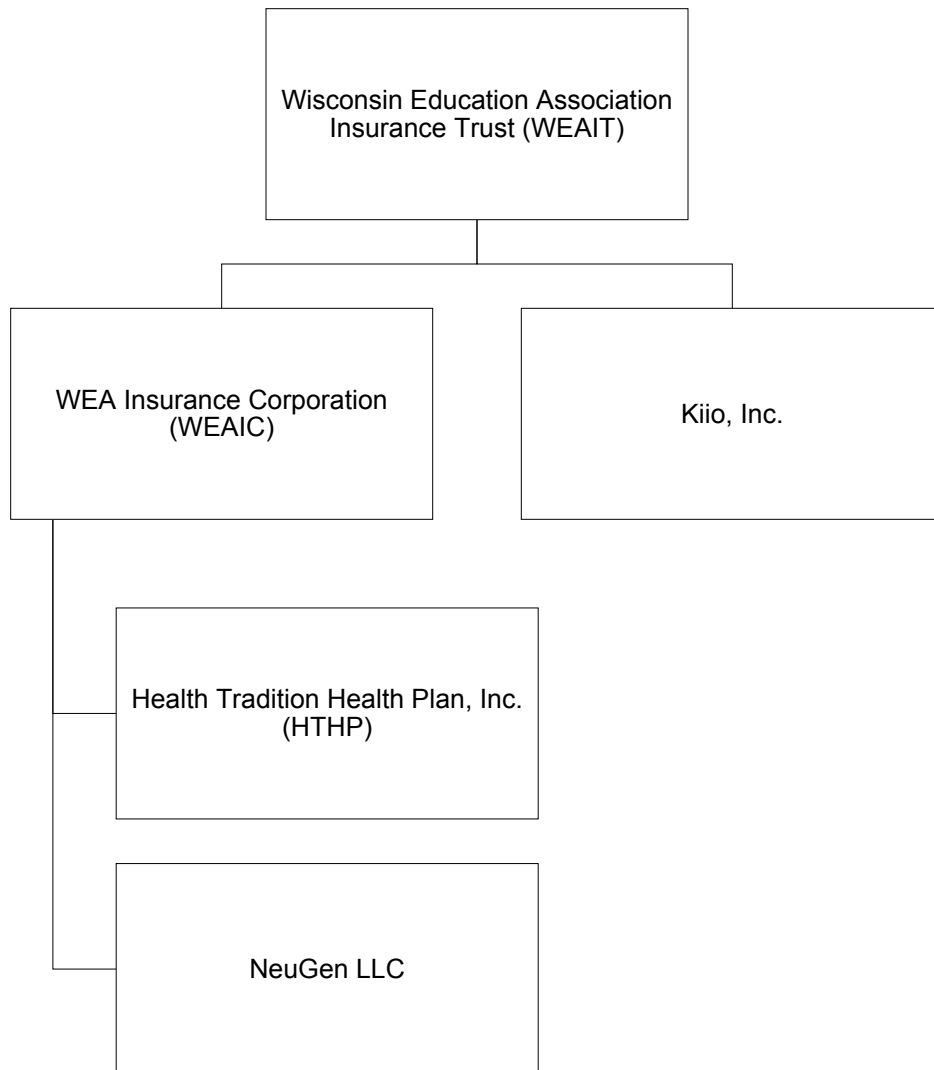
Margaret Guertler, Chair
Heather Mielke
Daniel Weidner
Sarah Kruger
Mike Halloran
Mark Litow
Mary Theisen

¹ Michael Quist resigned, Vaughn Vance is President/CEO effective July 1, 2021

IV. AFFILIATED COMPANIES

WEA Insurance Corporation is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of affiliates deemed significant follows the organizational chart.

Organizational Chart As of December 31, 2020



Wisconsin Education Association Trust

Wisconsin Education Association Trust (WEAIT) wholly owns WEA Insurance Corporation. As of December 31, 2020, the audited financial statements reported assets of \$868.1 million, liabilities of \$591.9 million, and net assets of \$276.2 million.

Kiio, Inc.

Kiio, Inc. is wholly owned by WEAIT. Kiio, Inc. provides musculoskeletal digital therapeutic solutions designed to help health plan clients who would benefit from reduced pain, particularly for the low back, knee, hip, and neck. The company is 65% owned by the Trust. As of December 31, 2020, the audited financial statements reported assets of \$914,000, liabilities of \$3.8 million, and deficit of \$2.9 million. Operations for 2020 produced a net loss of \$2.4 million.²

Health Tradition Health Plan, Inc.

As of October 1, 2018, Health Tradition Health Plan, Inc. (HTHP) became a wholly owned subsidiary of WEA Insurance Corporation. Health Tradition Health Plan is a Wisconsin-licensed HMO domiciled in the state of Wisconsin. HTHP provides commercial group health insurance and Medicare supplement insurance. As of December 31, 2020, the audited financial statements of HTHP reported assets of \$14.2 million, liabilities of \$5.2 million, and revenues of \$23.5 million. Operations for 2020 produced a net loss of \$258,000.

NeuGen LLC

NeuGen LLC (NeuGen) was formed on January 1, 2019, as a shared services and single-member organization to provide administrative services to WEAIC and HTHP. All employees were transferred from the WEAIC to NeuGen effective January 1, 2019. NeuGen has two similar service agreements with (1) HTHP and (2) WEAIC effective January 1, 2019. The purpose of the agreement is to perform for and on behalf of HTHP and WEAIC, all services necessary for the operations of HTHP and WEAIC. As of December 31, 2020, the financial statements reported assets of \$9.9 million, liabilities of \$9.9 million, and retained earnings of \$9,000. Operations for 2020 produced a net loss of \$17,000.

² Kiio will wind down operations effective October 1, 2021

Agreements with Affiliates

WEA Insurance Corporation has a service agreement with NeuGen LLC, effective as of January 1, 2019. Under the agreement, NeuGen LLC provides administrative services for WEA Insurance Company including but not limited to plan management, regulatory compliance, investment management, sales, underwriting, marketing, accounting, building services, medical management, network management, customer service, claims processing, eligibility, billing, and IT management. Compensation for these services is at actual cost of services provided and paid by a per member per month amount that is subject to reconciliation of actual costs on March 15 of each year.

WEA Insurance Company and Kiiio, Inc. entered into a subscription agreement effective as of September 1, 2020. Under the agreement Kiiio, Inc. provides support and professional services including setup fees, screenings, and subscriptions for WEA Insurance Company insureds. These services are provided on a fee-for-service basis subject to an annual minimum.

V. REINSURANCE

The company's reinsurance portfolio and strategy at the time of the examination are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts did contain proper insolvency provisions, however solid settlement terms were not noted. See Summary of Comments and Recommendations section.

Nonaffiliated Ceding Contracts

1. Type: Medical Excess
Reinsurer: Swiss Re Life & Health America Inc.
Scope: Group Health and Small Group Self-Funded
Retention: \$1,000,000 Group Health
\$ 250,000 Self Funded
Coverage: Unlimited after \$1,000,000 retention is met
Effective date: May 1, 2020
Termination: April 30, 2021

2. Type: Quota Share Disability
Reinsurer: Union Security Insurance Company
Scope: Group Long Term Disability and Group Short Term Disability
Retention: 50% each loss
Coverage: 50% of each loss ceded to reinsurer
Commissions: Reinsurance Intermediary Broker (Towers Watson Pennsylvania, Inc.) Fees shall be earned each month the Contract is in force and until Recapture. The fee is equal to 1.5% of premiums collected by the company, net of return premiums, for Business Covered.
Reinsurance Intermediary Manager (Disability Reinsurance Management Services, Inc.) fees shall be earned each month this Contract is in force and until Recapture. The fee is equal to 11% of Risk Premium for LTD Reinsured Policies and 15.4% of Risk Premium for STD Reinsured Policies.
Effective date: May 1, 2013
Termination: Continuous

The company does not assume any reinsurance.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2020, annual statement. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

WEA Insurance Corporation
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$494,170,020	\$	\$494,170,020
Stocks:			
Preferred stocks	303,457		303,457
Common stocks	204,619,592		204,619,592
Cash, cash equivalents, and short-term investments	84,103,179		84,103,179
Other invested assets	455,508		455,508
Receivables for securities	1,314,914		1,314,914
Investment income due and accrued	2,044,129		2,044,129
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	297,066	1,289	295,777
Reinsurance:			
Amounts recoverable from reinsurers	6,227		6,227
Receivable from parent, subsidiaries and affiliates	1,735,153		1,735,153
Health care and other amounts receivable	3,618,275	1,840,431	1,777,844
Write-ins for other than invested assets:			
Prepaid Expenses	58,360	58,360	
Other Assets	816,635	816,635	
Total Assets	<u>\$793,542,514</u>	<u>\$2,716,715</u>	<u>\$790,825,799</u>

WEA Insurance Corporation
Liabilities, Surplus, and Other Funds
As of December 31, 2020

Aggregate reserve for life contracts		\$ 33,838,987
Aggregate reserve for accident and health contracts		390,153,557
Contract claims:		
Accident and health		68,281,552
Premiums and annuity considerations received in advance		16,709,828
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		3,870,351
Interest maintenance reserve		20,722,508
General expenses due or accrued		5,159,863
Taxes, licenses, and fees due or accrued, excluding federal income taxes		285,116
Miscellaneous liabilities:		
Asset valuation reserve		34,052,177
Payable to parent, subsidiaries and affiliates		2,142,580
Payable for securities		<u>17,775,680</u>
Total Liabilities		<u>592,992,200</u>
Common capital stock	\$ 2,000,000	
Unassigned funds (surplus)	<u>195,833,599</u>	
Total Capital and Surplus		<u>197,833,599</u>
Total Liabilities, Capital and Surplus		<u>\$790,825,799</u>

**WEA Insurance Corporation
Summary of Operations
For the Year 2020**

Premiums and annuity considerations for life and accident and health contracts		\$641,743,287
Net investment income		10,779,773
Amortization of interest maintenance reserve		2,505,062
Write-ins for miscellaneous income:		
Other Income		276,954
Dental Commission		<u>17,139</u>
Total income items		655,322,216
Death benefits	\$ 1,687,060	
Disability benefits and benefits under accident and health contracts	573,398,753	
Increase in aggregate reserves for life and accident and health contracts	<u>16,653,799</u>	
Subtotal	<u>591,739,612</u>	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	3,268,391	
General insurance expenses and fraternal expenses	58,477,018	
Insurance taxes, licenses, and fees excluding federal income taxes	<u>2,183,167</u>	
Total deductions		<u>655,668,187</u>
Net gain (loss) from operations before dividends to policyholders, refunds to members, and federal income taxes	(345,971)	
Net gain (loss) from operations after dividends to policyholders, refunds to members, and before federal income taxes	(345,971)	
Net gain (loss) from operations after dividends to policyholders, refunds to members, and federal income taxes and before realized capital gains or (losses)		(345,971)
Net realized capital gains or (losses)		<u>11,375,061</u>
Net Income (Loss)		<u>\$ 11,029,090</u>

WEA Insurance Corporation
Cash Flow
For the Year 2020

Premiums collected net of reinsurance		\$645,692,207
Net investment income		11,761,869
Miscellaneous income		<u>294,093</u>
Total		657,748,169
Benefit- and loss-related payments	\$ 572,791,841	
Commissions, expenses paid, and aggregate write-ins for deductions	<u>64,097,438</u>	
Total deductions		<u>636,889,279</u>
Net cash from operations		20,858,889
Proceeds from investments sold		
Bonds	\$1,126,407,004	
Stocks	41,265,156	
Net gains (losses) on cash, cash equivalents, and short-term investments	3,140	
Miscellaneous proceeds	<u>16,838,833</u>	
Total investment proceeds		1,184,514,133
Cost of investments acquired (long-term only):		
Bonds	1,126,053,595	
Stocks	39,569,999	
Miscellaneous applications	<u>928,279</u>	
Total investments acquired		<u>1,166,551,873</u>
Net cash from investments		17,962,260
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>4,285,889</u>	
Net cash from financing and miscellaneous sources		<u>4,285,889</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		43,107,039
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>40,996,137</u>
End of year		<u>\$ 84,103,176</u>

**WEA Insurance Corporation
Compulsory and Security Surplus Calculation
December 31, 2020**

Assets		\$790,825,799
Less security surplus of insurance subsidiaries		1,670,333
Less liabilities		<u>592,992,200</u>
Adjusted surplus		196,163,266
Annual premium:		
Group life and health	641,743,287	
Factor	<u>10%</u>	
Total		64,174,329
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>64,174,329</u>
Compulsory Surplus Excess (Deficit)		<u>\$131,988,938</u>
Adjusted surplus (from above)		\$196,163,266
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum of 110%)		<u>77,650,936</u>
Security Surplus Excess (Deficit)		<u>\$118,512,330</u>

**WEA Insurance Corporation
Analysis of Surplus
For the Four-Year Period Ending December 31, 2020**

The following schedule details items affecting the company's total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	2020	2019	2018	2017
Capital and surplus, beginning of year	\$170,205,894	\$170,651,551	\$167,026,307	\$140,893,973
Net income	11,029,090	(31,549,565)	20,172,330	1,356,046
Change in net unrealized capital gains/losses	23,181,051	27,119,526	(18,129,034)	27,530,852
Change in nonadmitted assets and related items	334,078	6,024,029	(5,513,639)	(392,933)
Change in asset valuation reserve	(6,916,515)	(1,539,647)	7,095,587	(2,361,631)
Dividends to stockholders	(500,000)	(500,000)	(500,000)	(500,000)
Capital and Surplus, End of Year	<u>\$197,833,598</u>	<u>\$170,205,894</u>	<u>\$170,651,551</u>	<u>\$167,026,307</u>

**WEA Insurance Corporation
Insurance Regulatory Information System
For the Four-Year Period Ending December 31, 2020**

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

Ratio	2020	2019	2018	2017
#1 Net change in capital & surplus	16%	-0%	2%	19%
#2 Gross change in capital & surplus	16	-0	2	19
#3 Net income to total income	2	-5*	3	0*
#4 Adequacy of investment income	NR	NR	NR	NR
#5 Non-admitted to admitted assets	0	0	1	1
#6 Total real estate & mortgage loans to cash & invested assets	0	0	0	0
#7 Total affiliated investments to capital & surplus	6	7	8	0
#8 Surplus relief	0	0	0	0
#9 Change in premium	10	-3	29	-6
#10 Change in product mix	0.0	0.0	0.0	0.0
#11 Change in asset mix	0.9	0.5	0.3	0.3
#12 Change in reserving ratio	0	0	0	0

Ratio No. 1 measures the change in surplus net of changes in surplus notes, capital paid-in, or other paid-in adjustments, if any, and Ratio No. 2 measures the gross change in surplus. Both of these

ratios fluctuated throughout the four-year period, with 2018 and 2019 being stagnant in no substantial changes to capital and surplus. Ratio No. 3 is the ratio of net income to the sum of total income plus realized capital gains/losses. This ratio was unusual for the years 2019 due to a net loss reported for the year, resulting from decreased premiums earned and higher general expenses. Ratio No. 4 compares the net investment income to the increase in reserves from tabular interest. Because the company's business is not written on a level-premium basis like individual life insurance, there are no tabular reserves hence no result for Ratio No. 4. Ratio No. 9 is simply the change in premium year-over-year; the company experienced fluctuating premiums in the four-year period due to statewide changes affecting its key market, in addition, they exited less-profitable lines, and ancillary lines of business.

Growth of WEA Insurance Corporation

Year	Admitted Assets	Liabilities	Capital and Surplus
2020	\$790,825,799	\$592,992,200	\$197,833,599
2019	701,849,850	531,643,955	170,205,895
2018	661,468,451	490,816,899	170,651,551
2017	661,024,031	493,997,724	167,026,307
2016	644,895,606	504,001,633	140,893,973
2015	644,204,767	483,478,936	160,725,831

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2020	\$640,749,303	\$597,110,800	\$3,227,231	\$53,462,300	102.0%
2019	585,063,748	587,349,280	2,772,963	47,897,046	109.1
2018	603,790,087	561,658,266	3,355,027	43,818,459	100.9
2017	466,617,480	438,357,464	3,976,599	41,891,180	103.7
2016	496,570,257	485,092,895	3,631,966	42,983,579	107.1
2015	550,556,250	550,966,831	3,042,426	50,280,739	109.8

* Includes increase in contract reserves

** Includes taxes, licenses, and fees

The company's key market continued to have high incurred claims and expenses throughout 2015 to 2020. During this period, the company had redirected efforts to minimize expenses by exiting

unprofitable lines of business while expanding its footprint in the state health insurance plan. The company also made improvements to gain cost efficiencies. These initiatives, although proactive, appear to not have reversed the negative trend. The company continues to have challenging underwriting results. Operational profitability has not been attained. Capital and surplus have increased through the period, reflecting a 23% change due in part to unrealized capital gains.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were four specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Filing of Biographical Affidavits—It is recommended that the company file biographical information for all new officers and directors within 15 days of appointment or election in accordance with s. 611.54 (1), Wis. Stat., and s. Ins 6.52 (5), Wis. Adm. Code, and that the company establish procedures to ensure the proper filing of biographical information.

Action—Noncompliance.

2. Filing of Intercompany Agreements—It is recommended that revised intercompany agreements be filed in the form of a “Form D – Prior Notice of a Transaction” with the commissioner, in compliance with s. Ins 40.04 (2), Wis. Adm. Code.

Action—Compliance.

3. Investments – Statutory Compliance—It is recommended that the company exclude the value of its invested assets that exceed the investment limitations prescribed by s. Ins 6.20 (8) (k), Wis. Adm. Code, and s. 620.22 (9), Wis. Stat. from the calculation of its compulsory and security surplus requirements in accordance with s. 620.21, Wis. Stat.

Action— Compliance.

4. Business Continuity Plan—It is recommended that the company conduct business impact and risk assessment on its vendor reliance and prepare the reaction plan for the business disruptions from vendors according to the assessment. To be effective, the BCP needs to be updated and tested with different scenarios (such as business operation disruptions from blackout, catastrophes, discontinued operation of third party service providers, etc.), with the results reviewed, and any updates approved, by senior management and the board of directors.

Action—Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Filing of Biographical Affidavits

As required by s. 611.54, Wis. Stat., and s. Ins 6.52, Wis. Adm. Code, the company is to report biographical information to OCI, within 15 days of their appointment or election, for persons selected as a director or principal officer. Biographical affidavits were reviewed for the company's directors and officers as part of the examination. This review disclosed that on multiple occasions the company failed to file a biographical affidavit. The form that was submitted to the Wisconsin Office of the Commissioner of Insurance is not approved and does not meet the requirements of s. Ins. 6.52, Wis. Adm. Code which requires the use of Form A. It is again recommended that the company file biographical information for newly elected or appointed officers and directors in accordance with s. Ins 6.52 (3), Wis. Adm. Code.

Financial Reporting

Transactions within a holding company system are required to be reported and subject to disapproval by ch. Ins 40.04, Wis. Adm. Code. Review of the company's filings indicated non-disapprovals by this office were issued, but annual reporting forms were not completed properly, recognizing benefits from such transaction. The subscription agreement between the company and Kiiio, Inc. was not included in the annual Form B & C filing as noted in the Appendix of ch. Ins. 40, Wis. Adm. Code. It is recommended that the company properly report all its transactions within the holding company system as required under ch. Ins 40, Wis. Adm. Code in the annual Form B & C filing.

Information Technology

The examination noted other areas where information technology controls could be further strengthened, which were presented in a letter to management. It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management provided in conjunction with this report.

Reinsurance Agreement

The reinsurance contract between the company and Swiss Re did not indicate settlement provisions. Payment schedules, adjustable retention provisions, accumulating retention provisions, accumulating retention from multiple years were not completely defined. Timeframe for the reinsurer to remit payment to the company after notification of loss was not clearly indicated. It is recommended that the company comply with NAIC Financial Handbook and identify clear contract settlement terms in the reinsurance contract ensuring timely payment of claims submitted to the reinsurer.

VIII. CONCLUSION

WEAIC is a wholly owned subsidiary of WEA Insurance Trust (WEAIT) and was formed to provide insurance coverage to teachers and school district employees throughout Wisconsin. It now offers its services to state and municipal public employees. Both are recognized as Voluntary Employees' Beneficiary Associations and thus are exempt from federal income tax. The company wrote group medical, life, and vision during the examination period. It maintains a closed block of long-term care business.

The company's key market has been challenging due to decreased membership, shifting to lower-cost plans, and high expenses, as a result, operational profitability has yet to be attained. While capital and surplus has progressively increased 23% due in part to unrealized capital gains, the company is still reporting unprofitable operations. On December 31, 2020, premium income indicated \$645.8 million with an underwriting loss of \$346,000 and a net income of \$11.0 million.

The current examination resulted in four recommendations, including one repeat recommendation and no adjustments to surplus.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 20 Filing of Biographical Affidavits—It is again recommended that the company file biographical information for newly elected or appointed officers and directors in accordance with s. Ins 6.52 (3), Wis. Adm. Code.
2. Page 20 Financial Reporting—It is recommended that the company properly report all its transactions within the holding company system as required under ch. Ins 40, Wis. Adm. Code in the annual Form B & C filing.
3. Page 20 Information Technology—It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management provided in conjunction with this report.
4. Page 21 Reinsurance Agreement—It is recommended that the company have settlement terms included in the reinsurance contract ensuring timely payment of claims submission to the reinsurer.

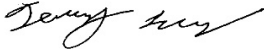
X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Shelly Bueno, AFE	Insurance Financial Examiner
Gabe Gorske, AFE	Insurance Financial Examiner
Vickie Ostien	Insurance Financial Examiner
Junji Nartatez	IT Specialist
Sheng Vang	Examiner-in-Charge
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Terry Lorenz, CFE
Quality Control Specialist