

**CONFIDENTIAL: The disclosure schedules of Appendix 1 to this Form A and Appendix 2 to this Form A are filed subject to a request for CONFIDENTIAL treatment and an exception under the public records law. See the June 25, 2018 letter from William J. Toman of Quarles & Brady LLP to Michael Mancusi-Ungaro of the Office of the Commissioner of Insurance.**

**Form A  
Statement Regarding the Acquisition of Control of  
or Merger with a Domestic Insurer**

Filed with the Office of the Commissioner of Insurance,  
State of Wisconsin

**Health Tradition Health Plan**  
Name of Domestic Insurer

by

**WEA Insurance Corporation**  
Name of Acquiring Person (Applicant)

Filed with the insurance department of Wisconsin.

Date: June [●], 2018

Name, title, address and telephone number of individual to whom notices and correspondence concerning this statement should be addressed:

Vaughn Vance  
Vice President and General Counsel  
WEA Insurance Corporation  
45 Nob Hill Road  
Madison, WI 53703  
Telephone: (608) 276-4000  
Email: [vvance@weatrust.com](mailto:vvance@weatrust.com)

*With a copy to:*  
William J. Toman, Esq.  
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33 East Main Street  
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## **ITEM 1. INSURER AND METHOD OF ACQUISITION**

**State the name and address of the domestic insurer to which this application relates and briefly describe how control is to be acquired.**

This application relates to Health Tradition Health Plan (“HTHP”), 1808 East Main Street, Onalaska, WI 54650. HTHP is a Wis. Stat. ch. 611 stock insurance corporation that is licensed as a health maintenance organization.

WEA Insurance Corporation (“Applicant”), owned by WEA Trust, proposes to acquire control of HTHP through the purchase of all of the issued and outstanding capital stock of HTHP (the “Shares”) from Mayo Holding Company (“Mayo”) pursuant to a Stock Purchase Agreement dated May 14, 2018, a copy of which is attached as Appendix 1. Through this acquisition, WEA Insurance Corporation will expand its market to serve both the public sector through the WEA Trust health plan, and the private sector through HTHP, while continuing to maintain a strong relationship with the Mayo Clinic Health System.

HTHP was originally set to close due to the challenges of maintaining a small plan with uncertainty in the health care and insurance environment. WEA Insurance Corporation will provide a similar version of the successful Health Tradition plan to the marketplace, offering coverage for Wisconsin state and municipal employees, employer plans for both small and large companies, and Medicare members (65Plus), thus ensuring multiple health insurance options for people in the western and southwestern Wisconsin regions.

## **ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT**

**(a) State the name and address of the applicant seeking to acquire control over the insurer.**

The Applicant is WEA Insurance Corporation, 45 Nob Hill Road, Madison, Wisconsin, 53713.

**(b) If the applicant is not an individual, state the nature of its business operations for the past 5 years or for such lesser period as such person and any predecessors thereof shall have been in existence. Briefly describe the business intended to be done by the applicant and the applicant’s subsidiaries.**

WEA Insurance Corporation is owned by the WEA Trust, and together they provide group health insurance and administrative services to public employers throughout Wisconsin. The not-for-profit WEA Trust was created in 1970 to serve Wisconsin school district employees. Today, the WEA Trust offers its top-rated service and quality benefits to all state, county, and municipal groups.

## **ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

**On the biographical affidavit, include a third party background check and state the following with respect to (1) the applicant if the applicant is an individual or (2) all persons**

**who are directors, executive officers or owners of 10% or more of the voting securities of the applicant if the applicant is not an individual.**

**(a) Name and business address;**

**(b) Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;**

**(c) Material occupations, positions, offices or employment during the last 5 years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection with the license or registration whether pending or concluded.**

**(d) Whether or not such person has ever been convicted in a criminal proceeding (excluding traffic violations not involving death or injury) during the last 10 years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case.**

WEA Insurance Corporation is owned by the WEA Trust, 45 Nob Hill Road, Madison, Wisconsin, 53713, and together they provide group health insurance and administrative services to public employers throughout Wisconsin. The not-for-profit WEA Trust is a Wisconsin trust that was created in 1970 to serve Wisconsin school district employees.

The following individuals are directors of WEA Insurance Corporation and trustees of WEA Trust:

- Margaret Guertler;
- Mike Halloran;
- Amy Johnson;
- Carol Kettner;
- Allen Knop;
- Heather Mielke;
- David Stella;
- Mary Theisen; and
- Daniel Weidner,

The following individuals are also trustees of WEA Trust:

- David Kijek; and
- Shelly Krajacic.

The following individuals are also directors of WEA Insurance Corporation:

- Mark Litow;
- Dr. Geoffrey Priest; and
- Susan Thornson.

The following individuals are officers of WEA Insurance Corporation and WEA Trust:

- Mike Quist, President and CEO;
- Kyle Humphrey, Vice President of Sales and Marketing;
- Dr. Tim Bartholow, Chief Medical Officer;
- Vaughn Vance, Vice President and General Counsel; and
- Dawn Witek, Controller and Treasurer.

Biographical affidavits or sketches for these individuals are on file with the Office of the Commissioner of Insurance ("OCI") and are incorporated by reference into this Form A pursuant to Wis. Admin. Code § Ins 40.12(1).

#### **ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

**(a) Describe the nature, source and amount of funds or other considerations used, or to be used, in effecting the merger or other acquisition of control. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.**

As set forth in § 2.3 of the Stock Purchase Agreement, the aggregate price WEA Insurance Corporation will pay to Mayo for the Shares (the "Purchase Price") is \$500,000 plus the statutory net worth of HTHP at closing. With respect to such statutory net worth:

- While § 5.12 of the Stock Purchase Agreement provides that HTHP may pay a dividend prior to closing, subject to any required OCI review, the parties do not anticipate that there will be such a dividend.
- Pursuant to § 5.14 of the Stock Purchase Agreement, HTHP will seek OCI approval to repay the Contribution Note issued by HTHP to Franciscan Skemp Medical Center Inc. in the principal amount of \$1.25 million with accrued interest of approximately \$52,000.

WEA Insurance Corporation will pay the Purchase Price in cash from funds on hand; no part of the consideration will be borrowed funds.

**(b) Explain the criteria used in determining the nature and amount of such consideration.**

The nature and amount of the consideration to be paid by WEA Insurance Corporation for the Shares were determined by arm's-length negotiations between the parties.

#### **ITEM 5. APPLICANT'S FUTURE PLANS FOR THE INSURER**

**Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate the insurer, to sell the insurer's assets to or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management.**

As noted, WEA Insurance Corporation proposes to reactivate HTHP's commercial group business to serve the people of western and southwestern Wisconsin. The specific business plan for HTHP is attached as confidential Appendix 2. Administration of this business plan will be conducted in three phases:

- During Phase 1, which began with execution of the Stock Purchase Agreement and continues until closing:
  - MMSI, Inc. will continue to provide services to HTHP pursuant to an Administrative Services Agreement amended and restated effective July 1, 2013. Mayo sold MMSI to Medica in 2017.
  - Mayo Clinic Health Systems – Franciscan Medical Center Inc. will continue to provide services to HTHP pursuant to a Management Service Agreement effective January 1, 2013.
  - Mayo will provide services for HTHP under a Temporary Services Agreement with WEA Insurance Corporation. Under the Temporary Services Agreement, a copy of which is attached as Appendix 3 to this Form A, the parties will begin to implement WEA Insurance Corporation's business plan for HTHP, including reactivation of HTHP's commercial group underwriting and policy issuance.
- During Phase 2, which begins at closing, MMSI and Mayo will transition the administration of HTHP to WEA Insurance Corporation. WEA Insurance Corporation will provide such administration pursuant to a Service Agreement with HTHP, which the parties will enter into immediately after closing. WEA Insurance Corporation will file the Service Agreement with OCI as soon as possible. WEA Insurance Corporation anticipates completing Phase 2, and terminating the MMSI Administrative Services Agreement and the Mayo Management Service Agreement, on or before December 31, 2018.
- Phase 3 is the period after the transition of administration of HTHP, during which WEA Insurance Corporation will administer HTHP pursuant to the Service Agreement. Mayo will provide ad hoc support and services, on an as needed and as requested basis, pursuant to the Temporary Services Agreement through June 30, 2019 at the latest.

WEA Insurance Corporation does not plan to cause HTHP to declare an extraordinary dividend, to liquidate HTHP, to sell HTHP's assets to or merge it with any person or persons or to make any other material change in its corporate structure. Immediately after closing, WEA Insurance Corporation, as the sole shareholder of HTHP, will adopt the HTHP articles of incorporation included as Appendix 4 to this Form D.

At closing, HTHP's current directors and officers will resign, and WEA Insurance Corporation will elect directors for HTHP so that the HTHP board matches the WEA Insurance Corporation board. WEA Insurance Corporation anticipates that the new directors of HTHP will then adopt the HTHP bylaws included as Appendix 5 to this Form D, and appoint officers for HTHP to match the officers of WEA Insurance Corporation as set forth in Item 3. As noted above, biographical affidavits or sketches for these individuals are on file with the OCI, and are incorporated by reference pursuant to Wis. Admin. Code § Ins 40.12(1).

#### **ITEM 6. VOTING SECURITIES TO BE ACQUIRED**

**State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire; and the terms of the offer, request, invitation, agreement or acquisition; and a statement as to the method by which the fairness of the proposal was arrived at.**

At the closing of the transaction, WEA Insurance Corporation will acquire 5,000 shares of the no par common stock of HTHP, which constitutes one hundred percent (100%) of the issued and outstanding shares of such common stock (§ 3.3 of the Stock Purchase Agreement incorrectly states that there are 2,800 authorized, issued, and outstanding shares of common stock of HTHP; that section will be corrected by an amendment to the Stock Purchase Agreement that will be filed as a supplement to this Form A as soon as possible).

The terms of the purchase are described in the Stock Purchase Agreement. As stated in Item 4, the Purchase Price is \$500,000 plus the statutory net worth of HTHP at closing, and the fairness of the proposal was determined by arm's-length negotiations.

#### **ITEM 7. OWNERSHIP OF VOTING SECURITIES**

**State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.**

None, except as described in this Form A.

#### **ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER**

**Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom the contracts, arrangements or understandings have been entered into.**

None, except as described in this Form A.

**ITEM 9. RECENT PURCHASES OF VOTING SECURITIES**

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in the description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any shares so purchased are hypothecated.

None.

**ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE**

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

None.

**ITEM 11. AGREEMENTS WITH BROKER-DEALERS**

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

None.

**ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS**

(a) Pursuant to s. 601.42, Stat., financial statements, exhibits, and three-year financial projections of the insurer(s) shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.

- Appendix 1 Stock Purchase Agreement
- Appendix 2 HTHP business plan
- Appendix 3 Temporary Services Agreement
- Appendix 4 Proposed HTHP Articles of Incorporation
- Appendix 5 Proposed HTHP Bylaws

(b) The financial statements shall include the annual financial statements of the persons identified in Item 2(c) for the preceding 5 fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year, if the information is available. The statements may be prepared either on an individual basis or, unless the commissioner otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business.

**The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the person's last fiscal year, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the annual statement of the person filed with the insurance department of the person's state of domicile and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.**

Pursuant to Wis. Admin. Code § Ins 40.12(1), WEA Insurance Corporation's audited financial statements on file with the OCI are incorporated by reference.

**(c) File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory or management contracts concerning the insurer, annual reports to the stockholders of the insurer and the applicant for the last 2 fiscal years, and any additional documents or papers required by form A or ss. Ins 40.11 and 40.13, Wis. Adm. Code.**

WEA Insurance Corporation has made no tender offers for, requests or invitations for, tenders of, exchange offers for, or agreements to acquire or exchange any voting securities of HTHP, other than as described in this Form A, so there is no soliciting material relating thereto; WEA Insurance Corporation has proposed no employment, consultation, advisory or management contracts concerning HTHP other than the Service Agreement described in Item 5 of this Form D; neither WEA Insurance Corporation nor HTHP has any annual reports to stockholders; and there are no additional documents or papers required by the Form A or §§ Ins 40.11 or 40.13.

As grounds for approval of the plan for acquisition of control of HTHP described in this Form A, WEA Insurance Corporation states that the plan would not violate the law or be contrary to the interests of the insureds of HTHP or any participating domestic insurer or of the Wisconsin insureds of any participating nondomestic insurer and that:

(a) After the change of control, HTHP would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;

(b) The effect of the acquisition of control would not be to create a monopoly or substantially to lessen competition in insurance in Wisconsin;

(c) The financial condition of any acquiring party is not likely to jeopardize the financial stability of HTHP, or prejudice the interests of its Wisconsin policyholders;

(d) Applicant has no plans or proposals to liquidate HTHP or its parent insurance holding corporation, sell its assets, or merge it with any person or make any other material change in its corporate structure, and Applicant's plans or proposals for changes in the business

operations and management of HTHP are fair and reasonable to policyholders of HTHP and in the public interest; and

(e) The competence and integrity of those persons who would control the operation of HTHP are such that it would be in the interest of the policyholders of HTHP and of the public to permit the acquisition of control.

**ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT**

**Applicant agrees to provide, to the best of its knowledge and belief, the information required by form F within fifteen (15) days after the end of the month in which the acquisition of control occurs.**

Pursuant to Wis. Admin. Code § Ins 40.03(9)(a), WEA Insurance Corporation agrees to provide, to the best of its knowledge and belief, the information required by Form F within 15 days after the end of the month in which acquisition of control occurs.

[The remainder of this page is intentionally left blank.]

**ITEM 14. SIGNATURE AND CERTIFICATION**

**Signature and certification as follows:**

**SIGNATURE**

Pursuant to the requirements of Wis. Admin. Code § Ins 40, Applicant has caused this application to be duly signed on its behalf on the \_\_\_\_\_ day of June, 2018.

WEA Insurance Corporation

By: \_\_\_\_\_  
Mike Quist  
President and CEO

Attest: \_\_\_\_\_  
Vaughn Vance  
Vice President and General Counsel

**Certification**

The undersigned deposes and says that deponent has duly executed the attached application dated June \_\_\_\_\_, 2018, for and on behalf of WEA Insurance Corporation, that deponent is the President and CEO of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

\_\_\_\_\_  
Mike Quist

Subscribed and sworn to this  
\_\_\_\_\_ day of June, 2018

\_\_\_\_\_  
Notary public  
My commission expires on: \_\_\_\_\_

## **Appendix 1**

### **Stock Purchase Agreement**

**The disclosure schedules of this appendix have been filed in a separate confidential supplement to the Form A subject to a request for CONFIDENTIAL treatment and an exception under the public records law. See the June \_\_, 2018 letter from William J. Toman of Quarles & Brady LLP to Michael Mancusi-Ungaro of the Office of the Commissioner of Insurance.**

## **Appendix 2**

### **HTHP Business Plan**

**This appendix is filed subject to a request for CONFIDENTIAL treatment and an exception under the public records law. See the June \_\_\_\_, 2018 letter from William J. Toman of Quarles & Brady LLP to Michael Mancusi-Ungaro of the Office of the Commissioner of Insurance.**

## **Appendix 3**

### **Temporary Services Agreement**

## **Appendix 4**

### **HTHP Articles of Incorporation**

**Appendix 5**  
**HTHP Bylaws**