

Report
of the
Examination of
WEA Property & Casualty Insurance Company
Madison, Wisconsin
As of December 31, 2016

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

February 13, 2018

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ociinformation@wisconsin.gov
Web Address: oci.wi.gov

Honorable Theodore K. Nickel
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 PROPERTY & CASUALTY INSURANCE COMPANY
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of WEA Property & Casualty Insurance Company (the "Company") was conducted in 2012 as of December 31, 2011. The current examination covered the intervening period ending December 31, 2016, and included a review of such 2017 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 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 with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

The Company was organized in 1993 under Chapter 611 of the Wisconsin Statutes. The Company is a wholly owned subsidiary of WEA Member Benefit Trust (“WMBT” or the “Trust”) and its ultimate controlling entity is WEA, Inc. (“WEA”). The Company was established to write personal lines insurance for Wisconsin Education Association union members and other qualified Wisconsin public school employees in the kindergarten through 12th grade (“K-12”) market. The Company has underwritten personal auto, homeowners, and inland marine coverages since 1994, and personal umbrella coverage since 2003. The Company is licensed, and writes exclusively, in Wisconsin.

In 2015, the WEA Board of Directors approved an amendment to the WMBT trust agreement to expand eligibility for WMBT’s products (including the Company’s products), which are marketed under the ‘Member Benefits’ brand. The amendment, while staying focused on the educational space, expanded the Company’s authority to market outside of its traditional K-12 market space. In 2016, WMBT formed a partnership with Educators Credit Union (ECU) in Racine, Wisconsin for the purpose of cross-promotion of products and services. Subsequent to this partnership, WEA’s Board of Directors approved a resolution to expand eligibility for coverage to ECU’s employees. In 2017, as part of the next phase of the ECU partnership, the WEA board approved a resolution allowing the Company to expand eligibility for coverage to ECU’s non-educator members, and to begin serving all ECU members.

The following table is a summary of the net insurance premiums written by the Company in 2016. The growth of the Company is discussed in the “Financial Data” section of this report.

Line of Business	Direct Premium	Reinsurance Ceded	Net Premium
Homeowners multiple peril	\$ 5,478,755	\$1,005,065	\$ 4,473,690
Inland marine	217,054		217,054
Other liability – occurrence	551,891	523,738	28,153
Private passenger auto liability	4,273,108	512,672	3,760,436
Auto physical damage	<u>3,736,840</u>	<u>159,019</u>	<u>3,577,821</u>
Total All Lines	<u>\$14,257,648</u>	<u>\$2,200,494</u>	<u>\$12,057,154</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The Board of Directors consists of seven members. Six directors are elected for a three-year term at the annual meeting of the Company's sole shareholder, WMBT. The seventh director is appointed annually by the Wisconsin Education Association Council (WEAC) President to serve as his/her designee on the board. Elected directors are elected in such a way that two positions are up for re-election each year. Principal Officers of the Company are elected annually by the Board of Directors at the first board meeting held subsequent to the annual meeting of the shareholder. The Board of Directors is the same for all entities within the holding group. The board members currently receive no compensation for serving on the board.

Currently the Board of Directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Suzanne Brown Muscodia, WI	Retired Teacher	May 2020
Janet Huenink* St. Croix Falls, WI	Retired Teacher, Substitute Teacher	June 2018
Robert Lehmann Sussex, WI	Retired Teacher	May 2019
Ronald Martin Madison, WI	Wisconsin Education Association Council President	May 2018
Patrick McGrath Port Edwards, WI	Retired Teacher, Elected Judge – Port Edwards	May 2020
Clayton Smits (Chair) Depere, WI	Retired Teacher	May 2019
Elaine Stelter Eau Claire, WI	Retired Teacher	May 2018

* Individual is appointed by the WEAC President to serve for one-year term.

Officers of the Company

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

Name	Office	2016 Compensation
David Kijek	President and Chief Executive Officer	\$200,815*
James Polcyn	Vice President Insurance Services	236,464*
Rhonda Scheel	Treasurer and Chief Financial Officer	110,735*
Merry Bachim	Secretary	40,822*
David Mabie #	Vice President Field Services	55,714*
Pranav Shah #	General Counsel	84,915*

* Compensation is allocated among affiliates. Amount shown only reflects the portion allocated to the Company.

Individual is not an officer of the Company; however, services were performed on behalf of the Company in this individual's capacity as an officer of the parent company.

Committees of the Board

The Company's bylaws allow for the formation of certain committees by the board of directors. Each committee is a "committee of the whole" (i.e. all members of the board serve on the committee). The committees at the time of the examination are listed below:

Executive Committee

Suzanne Brown
Janet Huenink
Robert Lehmann
Ronald Martin
Patrick McGrath
Clayton Smits, Chair
Elaine Stelter

Audit Committee

Suzanne Brown
Janet Huenink
Robert Lehmann
Ronald Martin
Patrick McGrath
Clayton Smits, Chair
Elaine Stelter

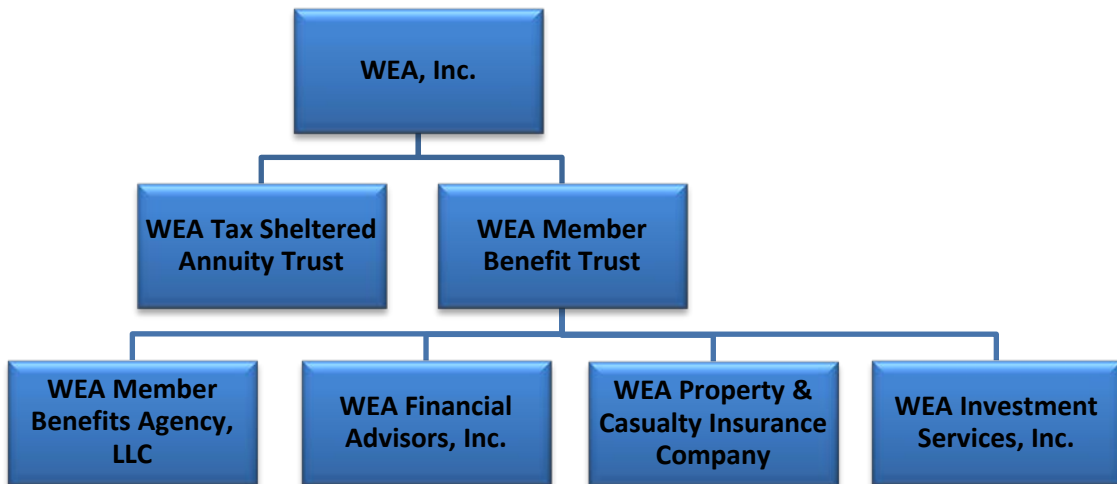
Compensation Committee

Suzanne Brown
Janet Huenink
Robert Lehmann
Ronald Martin
Patrick McGrath
Clayton Smits, Chair
Elaine Stelter

IV. AFFILIATED COMPANIES

WEA Property & Casualty Insurance Company is a member of a holding company system, and is the sole insurer within the group. The Company is a wholly owned subsidiary of WMBT. WMBT, along with its wholly owned subsidiaries, and the WEA Tax Sheltered Annuity Trust, operate under a common management umbrella, which integrates the marketing and operations of the group under a single brand, 'Member Benefits.' The organizational chart below depicts the relationships among the affiliates in the current holding group. A brief description of the significant affiliates follows the organizational chart.

**Organizational Chart
As of December 31, 2016**



WEA, Inc. (“WEA”)

WEA is a Wisconsin not-for-profit corporation that was established by a special act of the Wisconsin legislature. Its principal functions are to own real estate, and to appoint the trustees of the WEA Tax-Sheltered Annuity Trust and the WEA Member Benefit Trust. Operations for 2016 produced revenue of \$483,256 and net income of \$15,698.

WEA Tax-Sheltered Annuity Trust (“WEA TSAT”)

WEA TSAT was established in 1978. WEA TSAT facilitates the purchase of tax-sheltered annuity contracts and mutual funds under Section 403(b) on behalf of qualified teachers’ union members and school district employees in the state of Wisconsin. Operations for 2016 produced revenue of \$7,187,168 and net income of \$635,449.

WEA Member Benefit Trust (“WMBT” or the “Trust”)

The Trust was established in 1972 for the purpose of providing various insurance and financial benefits for qualified teachers’ union members and qualified public school employees. Operations for 2016 produced revenue of \$2,386,544 and net income of \$787,359.

WEA Investment Services, Inc. (“WEA IS”)

WEA IS was established in 2003 for the purpose of facilitating mutual fund trading on behalf of its related entities. Operations for 2016 produced revenue of \$110,040 and net income of \$261.

WEA Financial Advisors, Inc. (“WEA FA”)

WEA FA was established in 2007 for the purpose of providing retirement income and investment advice for qualified teachers’ union members and school district employees. Operations for 2016 produced revenue of \$67,325 and net income of \$1,391.

WEA Member Benefit Agency, LLC (“WEA MBA”)

WEA MBA was formed as a single member LLC to facilitate insurance brokering between unaffiliated insurers and the Trust’s members. The agency was unfunded in 2016, and had no financial activity or transactions.

Agreements with Affiliates

The Company employs all staff for the WEA Member Benefit group; services are allocated to each entity in accordance with the “Member Benefits Intercompany Allocation Agreement” discussed below.

Member Benefits Intercompany Allocation Agreement

Effective December 8, 2017, the Company entered into a Member Benefits Intercompany Allocation Agreement (“Agreement”) with other members of the group. The Agreement outlines the provisions for allocating expenses between the Company, WEA TSAT, WMBT, WEA FA, and WEA IS. Per the Agreement, all shared expenses are to be apportioned to the entity incurring the expense, as if the expense had been paid solely by the incurring entity. Shared expenses that cannot be directly allocated are to be allocated based on pertinent cost factors such as: employee count, square foot, employee time studies, etc. Each entity is required to make monthly payments equal to 1/12 of the estimated annual allocated expense. Within 60 days following each calendar year end, a calculation of all shared expenses will be made prior to the final payment of all balances due, to accurately reflect the services used by each entity. This agreement was filed with the OCI on January 9, 2018, to be effective December 8, 2017, and replaces and supersedes the prior Member Benefits Intercompany Allocation Agreement signed on December 27, 2013.

V. REINSURANCE

The Company's reinsurance portfolio and strategy is described below. The contracts contained proper insolvency provisions.

Nonaffiliated Ceding Contracts

1. Type: Quota Share and Excess of Loss
- Reinsurer: General Reinsurance Corporation
- Scope: Personal Umbrella
- Retention: 5% of the first \$1,000,000 (5% of \$500,000 for policies with \$500,000 limit) each occurrence
- Coverage: 95% of the first \$1,000,000 (95% of \$500,000 for policies with \$500,000 limit) each occurrence and 100% of the difference between the policy limit and the first \$1,000,000 each occurrence. The limit of liability of the Company with respect to any one policy should not exceed \$2,000,000 each occurrence. Policies with limits over \$3,000,000 are subject to special acceptance by the reinsurer.

However, if the Company retention exceeds \$150,000 in total for all net loss under all umbrella policies becoming effective during any one annual period, the reinsurer shall pay to the Company 100% of the amount of such net loss in excess of \$150,000.

- Premium: Premium is due monthly, after 25 days of the close of each month. With respect to business in force at the effective time and date of the agreement: 95% of the Company's unearned premium for policy limits up to and including \$1,000,000 each occurrence and 100% of the unearned premium for policy limits in excess of \$1,000,000 each occurrence.

With respect to business becoming effective at and after the effective time and date of the agreement: 95% of the company's subject written premium for policy limits up to and including \$1,000,000 each occurrence and 100% of the Company's subject written premium for policy limits in excess of \$1,000,000 each occurrence.

- Commissions: Fixed commission of 30% of the reinsurance premiums

- Effective date: January 1, 2007

- Termination: Termination is on a run-off basis. To terminate the contract, either party is required to submit a 90 days' prior written notice.

2. Type: Excess of Loss Reinsurance
- Reinsurer: General Reinsurance Corporation
- Scope: Personal Automobile, Other Liability, and Personal Property
- Retention: Liability and Property: \$150,000
- Coverage: Liability and Property: Covers losses and loss adjustment expenses. The reinsurer's limit of liability for losses in excess of policy limits and extra contractual obligations is \$3,000,000. In the case of events involving both covered property and liability risks, net losses in excess of \$150,000 are covered to a limit of \$150,000. There is a separate annual aggregate limit of \$1,800,000 under the first excess cover and \$1,000,000 under the second excess cover for loss or damage related to Terrorism Occurrences. However, loss and damage resulting from Terrorism Occurrences that involves (i) pathogenic chemical or biological substances, however caused; (ii) nuclear reaction or radiation, or radioactive contamination, however, caused; or (iii) any other cause or event resulting from (i) and (ii) are not covered under this policy.

	First Excess	Second Excess
Liability limit	\$ 850,000	\$1,000,000
Property limit	850,000	1,000,000
Property aggregate limit	1,800,000	1,000,000

Premium: Premium is due quarterly, after 25 days of the close of each quarter. Premiums are outlined below based on a percentage of subject written premiums (SWP). SWP is defined as follows:

Liability – Premium written by the Company on business insured minus the portion paid for quota-share reinsurance. Subject premiums for homeowners multiple peril policies are 20% of the total policy premium.

Property – Premium written by the Company on business insured minus the portion paid for quota-share reinsurance. Subject premiums for homeowners multiple peril policies are 80% of the total policy premium.

	First Excess	Second Excess
Auto liability	12.32% of SWP	0.76% of SWP
Other liability	3.17% of SWP	1.14% of SWP
Property	12.73% of SWP	0.90% of SWP

- Commissions: Fixed commission of 30% of reinsurance premiums
- Effective date: November 1, 2017
- Termination: Liability and property portions are continuous and require 90 days' prior written notice by either party to cancel.
3. Type: Excess of Loss Reinsurance (CAT) per Occurrence
- Reinsurer: General Reinsurance Corporation
- Scope: Catastrophe portion covers homeowner's and automobile physical damage, with stated exclusions.
- Retention: Property Catastrophe: \$400,000 plus 5% of the next \$600,000
- Coverage: Property Catastrophe: Property catastrophe coverage provides for one automatic reinstatement with the same limit of liability of the reinsurer as shown below.

	First Excess	Second Excess	Third Excess
Coverage	95%	100%	100%
Coverage Limit	\$600,000	\$1,650,000	\$2,500,000

Premium: On or before the beginning of each quarter, the Company shall pay to the Reinsurer a deposit equal to one quarter of the reinsurance premium. On or before February 15th, the Company will remit any remaining amount due to the Reinsurer. If there is an overpayment by the Company, the Reinsurer will remit payment within 25 days. Premiums are outlined below based on a percentage of subject written premiums (SWP). SWP is defined as follows:

Property Catastrophe: Premium written by the Company on business insured minus the portion paid for reinsurance. Subject premiums for homeowners multiple peril policies are 80% of the total policy premium.

	First Excess	Second Excess	Third Excess
Catastrophe	4.30% of SWP	2.75% of SWP	1.30% of SWP
Deposit premium	\$260,896	\$166,852	\$78,876

- Commissions: None
- Effective date: January 1, 2018
- Termination: Property catastrophe coverage is written year to year and expires on December 31, unless renewed. Termination is on a run-off basis.

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, 2016, annual statement.

Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." 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 Property & Casualty Insurance Company
Assets
As of December 31, 2016

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	\$12,933,978	\$	\$12,933,978
Stocks:			
Common stocks	128,154		128,154
Cash, cash equivalents, and short-term investments	1,060,586		1,060,586
Investment income due and accrued	85,021		85,021
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	9,529		9,529
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	3,742,697		3,742,697
Reinsurance:			
Amounts recoverable from reinsurers	22,018		22,018
Current federal and foreign income tax recoverable and interest thereon	19,411		19,411
Net deferred tax asset	999,000	308,000	691,000
Electronic data processing equipment and software	38,397		38,397
Receivable from parent, subsidiaries, and affiliates	567,135		567,135
Write-ins for other than invested assets:			
Prepaid expenses	131,003	131,003	
Other assets	17,043	17,043	
State income tax receivable	<u>24,518</u>		<u>24,518</u>
Total Assets	<u>\$19,778,490</u>	<u>\$456,046</u>	<u>\$19,322,444</u>

WEA Property & Casualty Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2016

Losses		\$ 3,608,290
Loss adjustment expenses		650,000
Other expenses (excluding taxes, licenses, and fees)		2,739,007
Taxes, licenses, and fees (excluding federal and foreign income taxes)		287
Unearned premiums		5,887,747
Advance premium		172,424
Ceded reinsurance premiums payable (net of ceding commissions)		162,357
Amounts withheld or retained by company for account of others		128,858
Payable to parent, subsidiaries, and affiliates		<u>1,147</u>
Total Liabilities		13,350,117
Common capital stock	\$ 700	
Surplus notes	400,000	
Gross paid in and contributed surplus	3,229,800	
Unassigned funds (surplus)	<u>2,341,827</u>	
Surplus as Regards Policyholders		<u>5,972,327</u>
Total Liabilities and Surplus		<u>\$19,322,444</u>

WEA Property & Casualty Insurance Company
Statement of Income
For the Year 2016

Underwriting Income		
Premiums earned		\$11,654,449
Deductions:		
Losses incurred	\$6,753,769	
Loss adjustment expenses incurred	836,032	
Other underwriting expenses incurred	<u>4,059,582</u>	
Total underwriting deductions		<u>11,649,383</u>
Net underwriting gain (loss)		5,066
Investment Income		
Net investment income earned	286,784	
Net realized capital gains (losses)	<u>(46,823)</u>	
Net investment gain (loss)		239,961
Other Income		
Net gain (loss) from agents' or premium balances charged off	(10,689)	
Write-ins for miscellaneous income:		
Miscellaneous income	<u>18,841</u>	
Total other income		<u>8,152</u>
Net income before federal and foreign income taxes		253,179
Federal and foreign income taxes incurred		<u>85,088</u>
Net Income		<u>\$ 168,091</u>

WEA Property & Casualty Insurance Company
Cash Flow
For the Year 2016

Premiums collected net of reinsurance		\$11,717,395
Net investment income		359,849
Miscellaneous income		<u>18,841</u>
Total		12,096,085
Benefit- and loss-related payments	\$ 6,743,417	
Commissions, expenses paid, and aggregate write-ins for deductions	4,736,900	
Federal and foreign income taxes paid (recovered)	<u>280,000</u>	
Total deductions		<u>11,760,317</u>
Net cash from operations		335,768
Proceeds from investments sold, matured, or repaid:		
Bonds	\$1,711,290	
Stocks	<u>1,050,090</u>	
Total investment proceeds		2,761,380
Cost of investments acquired (long-term only):		
Bonds	3,056,991	
Stocks	<u>1,072,240</u>	
Total investments acquired		<u>4,129,231</u>
Net cash from investments		(1,367,851)
Cash from financing and miscellaneous sources:		
Surplus notes, capital notes	(300,000)	
Capital and paid in surplus less treasury stock	1,000,000	
Other cash provided (applied)	<u>(32,673)</u>	
Net cash from financing and miscellaneous sources		<u>667,327</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(364,756)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>1,425,342</u>
End of Year		<u>\$ 1,060,586</u>

**WEA Property & Casualty Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2016**

Assets		\$19,322,444
Less liabilities		<u>13,350,117</u>
Adjusted surplus		5,972,327
Annual premium:		
Lines other than accident and health	\$12,057,154	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>2,411,430</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 3,560,897</u>
Adjusted surplus (from above)		\$ 5,972,327
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)		<u>3,376,002</u>
Security Surplus Excess (Deficit)		<u>\$ 2,596,325</u>

WEA Property & Casualty Insurance Company
Analysis of Surplus
For the 5-Year Period Ending December 31, 2016

The following schedule details items affecting surplus during the period under examination as reported by the Company in its filed annual statements:

	2016	2015	2014	2013	2012
Surplus, beginning of year	\$5,081,600	\$5,179,863	\$5,659,292	\$5,689,317	\$5,110,552
Net income	168,091	164,467	(416,443)	303,690	517,614
Change in net unrealized capital gains/losses	9,752	(716)	6,936	10,516	3,276
Change in net deferred income tax		103,000	161,000	(21,000)	(75,000)
Change in non-admitted assets	12,884	(65,014)	69,078	(23,231)	132,875
Change in provision for reinsurance					
Change in surplus notes	(300,000)	(300,000)	(300,000)	(300,000)	
Surplus adjustments:					
Paid in	<u>1,000,000</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Surplus, End of Year	<u>\$5,972,327</u>	<u>\$5,081,600</u>	<u>\$5,179,863</u>	<u>\$5,659,292</u>	<u>\$5,689,317</u>

WEA Property & Casualty Insurance Company
Insurance Regulatory Information System
For the 5-Year Period Ending December 31, 2016

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below.

Ratio	2016	2015	2014	2013	2012
#1 Gross Premium to Surplus	239%	274%	254%	229%	232%
#2 Net Premium to Surplus	202	223	199	182	186
#3 Change in Net Premiums Written	6	10	0	(3)	2
#4 Surplus Aid to Surplus	3	5	5	5	4
#5 Two-Year Overall Operating Ratio	95	98	99	95	103*
#6 Investment Yield	2.1*	2.5*	2.2*	2.3*	2.1*
#7 Gross Change in Surplus	18	(2)	(8)	(1)	11
#8 Change in Adjusted Surplus	4	4	(3)	5	11
#9 Liabilities to Liquid Assets	68	71	67	67	70
#10 Agents' Balances to Surplus	0	0	1	1	1
#11 One-Year Reserve Development to Surplus	(15)	(15)	(14)	(1)	(12)
#12 Two-Year Reserve Development to Surplus	(25)	(18)	(8)	(13)	(7)
#13 Estimated Current Reserve Deficiency to Surplus	(16)	(16)	9	(1)	(17)

Ratio No. 5 measures the Company's average profitability over a two-year period. The exceptional result in 2012 was due to a large number of weather-related catastrophic (CAT) events that occurred during 2011 (which resulted in a large net loss for 2011). The unusual value was not assessed as a significant concern for purposes of the current examination period as it was addressed as part of the prior examination.

Ratio No. 6 measures the Company's return on investment. The low investment yield for all years under examination is primarily due to the Company's conservative portfolio, accompanied by the low interest rate environment. The low interest rate environment is affecting all insurers in the industry; therefore, the unusual value was not considered a significant concern.

Growth of WEA Property & Casualty Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2016	\$19,322,444	\$13,350,117	\$5,972,327	\$ 168,091
2015	18,041,356	12,959,756	5,081,600	164,467
2014	16,202,596	11,022,733	5,179,863	(416,443)
2013	17,438,598	11,779,306	5,659,291	303,690
2012	17,835,681	12,146,364	5,689,317	517,614
2011	17,137,055	12,026,503	5,110,552	(961,414)

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2016	\$14,257,648	\$12,057,154	\$11,654,449	65.1%	33.6%	98.7%
2015	13,940,007	11,324,412	10,823,150	63.3	34.2	97.5
2014	13,153,273	10,287,958	9,958,837	68.6	36.1	104.7
2013	12,968,531	10,272,852	10,385,748	65.1	33.2	98.3
2012	13,222,694	10,572,294	10,448,377	68.0	28.3	96.3
2011	12,981,281	10,403,128	10,300,893	84.6	31.9	116.5

During the period under examination, the Company's total admitted assets increased by 13% (to \$19.32 million), and total liabilities increased by 11% (to \$13.35 million). The favorable change led to an increase in total surplus of 16.86% (to \$5.97 million). The Company had net income for all periods covered under the examination (with the exception of 2014). The net loss incurred for 2014 was primarily attributable to the high non-recurring expenses related to the Company's implementation of its new policy administration system, Stingray. In addition, in 2014, the Company began implementing its plan to convert short term policies (3- and 6-month policies) into annual policies. This led to the cancellation of shorter term policies. New and renewal policies were written for annual terms through the Trust Advantage and Smart Plan programs (which allows for the payment of premium through monthly payroll deductions or monthly Automated Clearing House (ACH)). Since new and renewal policies were written at an annual term, this led to an increase in direct premiums written. In addition, 25% of the premiums in 2014 were written in the fourth quarter compared to 23% in 2013. These factors ultimately led to the decline in premium earned in 2014.

Gross and Net Premiums Written both had a net positive trend, increasing by 9.83% and 15.90%, respectively, since 2011. The Loss and LAE ratio, with the exception of 2011, experienced fluctuations each year; however, the combined ratio remained favorable (except for 2014 as noted above).

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the Company as of December 31, 2016, is accepted.

Examination Reclassifications

There were no examination reclassifications as a result of this examination.

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. Business Continuity Plan—It is recommended that the Company identify alternate sites for their IT systems and employees as a key element in their business continuity plan.

Action—Compliance

2. Business Continuity Plan—It is recommended that key aspects of the business continuity plan be tested annually and that the test be based on clear objectives that will allow the results of the test to be scored to determine the effectiveness of the plan.

Action—Compliance

3. Affiliated Agreements—It is recommended that the Company adopt management and service agreements that clearly identify all entities participating in the arrangement as well as the reimbursement and settlement arrangements between the entities, pursuant to SSAP No. 25, s. Ins 40.04 (1), Wis. Adm. Code, and s. 617.21 (1), Wis. Stat.

Action—Compliance

4. Holding Company Transactions—It is recommended that the Company report all revenues/expenditures resulting from any intercompany agreements on Schedule Y, Part 2, as required by NAIC Annual Statement Instructions – Property and Casualty.

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.

Business Continuity Plan

The Company conducts disaster recovery testing every year; but, it does not exercise other actions described in its Business Continuity Plan (BCP). The BCP cannot be considered reliable without proper testing of the plan. The plan should also be maintained and updated regularly to ensure that the Company remains ready to handle incidents despite internal and external changes that may affect the plan. It is recommended that the Company update and test its BCP under different scenarios (such as business operation disruptions from blackout, catastrophes, or third party service providers), and that the testing results be reviewed (and any updates approved) by Senior Management and the Board of Directors (who are ultimately responsible for oversight of the Company).

Other Recommendations

The examination noted other areas where IT controls could be further strengthened, which were presented in a letter to management dated February 13, 2018. It is recommended that the Company strengthen its IT control environment as specifically described in the management letter dated February 13, 2018.

VIII. CONCLUSION

WEA Property & Casualty Insurance Company was organized in 1993 under Chapter 611 of the Wisconsin Statutes. The Company is a wholly owned subsidiary of WEA Member Benefit Trust, which in turn, is owned by WEA, Inc. The Company currently underwrites personal auto, homeowners, inland marine, and umbrella coverage for Wisconsin Education Association union members, other qualified employees in the state of Wisconsin, and ECU employees. The Company is licensed and writes exclusively in Wisconsin.

The Company's operations were profitable during the period under examination (with the exception of 2014). The 2014 net loss was driven by high expenses associated with the implementation of its new policy administration system, Stingray. Overall, the Company's net premium appears to grow each year, indicating favorable growth for the Company.

The examination resulted in two recommendations, which are shown on the following page. The prior examination resulted in four recommendations; each of which have been complied with. No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2016, is accepted.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 22 - Business Continuity Plan—It is recommended that the Company update and test its BCP under different scenarios (such as business operation disruptions from blackout, catastrophes, or third party service providers), and that the testing results be reviewed (and any updates approved) by Senior Management and the Board of Directors (who are ultimately responsible for oversight of the Company).
2. Page 22 - Other Recommendations—It is recommended that the Company strengthen its IT control environment as specifically described in the management letter dated February 13, 2018.

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
John Ebsen	Insurance Financial Examiner
Terry Lorenz	ACL Specialist
Eleanor Lu	IT Specialist
Jerry DeArmond	Reserve Specialist

Respectfully submitted,

Kongmeng Yang
Examiner-in-Charge