

**STATE OF OREGON
DEPARTMENT OF
CONSUMER & BUSINESS SERVICES**

**DIVISION OF FINANCIAL
REGULATION**



REPORT OF FINANCIAL EXAMINATION

OF

**WESTERN GROCERS EMPLOYEE BENEFITS TRUST
CLACKAMAS, OREGON**

AS OF

DECEMBER 31, 2016

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

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CLACKAMAS, OREGON

NAIC COMPANY CODE 12339

AS OF

DECEMBER 31, 2016

TABLE OF CONTENTS

SALUTATION	3
SCOPE OF EXAMINATION.....	4
COMPANY HISTORY	5
<i>Capitalization.....</i>	<i>5</i>
<i>Dividends and Other Distributions.....</i>	<i>6</i>
CORPORATE RECORDS	6
<i>Board of Trustee Minutes.....</i>	<i>6</i>
<i>Trust Agreement.....</i>	<i>6</i>
MANAGEMENT AND CONTROL	7
<i>Trustor.....</i>	<i>7</i>
<i>Trustees.....</i>	<i>7</i>
<i>Officers.....</i>	<i>8</i>
CONFLICT OF INTEREST.....	9
INSURANCE HOLDING COMPANY REGISTRATION STATEMENT	9
<i>Administrative Services Agreement.....</i>	<i>9</i>
FIDELITY BONDS AND OTHER INSURANCE.....	9
TERRITORY AND PLAN OF OPERATION.....	10
GROWTH OF THE COMPANY.....	10
LOSS EXPERIENCE.....	11
REINSURANCE.....	11
<i>Assumed Business.....</i>	<i>11</i>
<i>Ceded Business.....</i>	<i>11</i>
<i>Risk Retention.....</i>	<i>12</i>
ACCOUNTS AND RECORDS.....	12
STATUTORY DEPOSITS.....	13
COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS.....	13
SUBSEQUENT EVENTS.....	13
FINANCIAL STATEMENTS.....	14
<i>ASSETS.....</i>	<i>15</i>
<i>LIABILITIES, CAPITAL AND SURPLUS.....</i>	<i>16</i>
<i>STATEMENT OF REVENUE AND EXPENSES.....</i>	<i>17</i>
<i>RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION.....</i>	<i>18</i>
NOTES TO FINANCIAL STATEMENTS	19
<i>Note 1 – Invested Assets.....</i>	<i>19</i>
<i>Note 2 – Actuarial Reserves.....</i>	<i>19</i>
SUMMARY OF COMMENTS AND RECOMMENDATIONS.....	20
CONCLUSION	20
ACKNOWLEDGMENT	21
AFFIDAVIT	22

SALUTATION

April 16, 2018

Honorable Cameron Smith, Director
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Director:

In accordance with your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) Examiners Handbook, pursuant to ORS 731.300, ORS 731.302, and ORS 750.327, respectively, we have examined the business affairs and financial condition of

WESTERN GROCERS EMPLOYEE BENEFITS TRUST
12901 SE 97th Drive
Clackamas, Oregon 97015

NAIC Company Code 12339

Hereinafter referred to as the "Trust." The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our regular, full-scope, single state examination of Western Grocers Employee Benefits Trust. The last examination of this Oregon domestic Multiple Employer Welfare Arrangement (MEWA) covered the period from January 1, 2011 through December 31, 2013. This examination covers the period of January 1, 2014 through December 31, 2016.

We conducted our examination pursuant to ORS 731.300 and in accordance with ORS 731.302(1) which allows examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Trust, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Trust's surplus to be materially misstated, both currently and prospectively.

All accounts and activities of the Trust 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. 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 following the Trust's financial statements.

This examination report includes significant findings of fact, as mentioned in ORS 731.302 and general information about the Trust and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Trust.

COMPANY HISTORY

The Trust was formed on October 1, 1979, as a voluntary employee beneficiary association subject to the provisions of Federal Code 501(c)(9) and the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). In 1993, the Oregon State Legislature enacted statutes regulating multiple employer welfare arrangements (MEWAs). Subsequently, the Trust applied for, and received, its MEWA certificate on December 30, 1994, in accordance with ORS 750.303(2) and (3).

The Trustor is Unified Grocers, Inc., formerly known as United Grocers, a retailer-owned wholesale grocery cooperative that supplies independent supermarkets in the Western US. It was formed in 1999 by the merger of United Grocers of Oregon (founded in 1915) and Certified Grocers of California (founded in 1922). In 2007 it acquired Associated Grocers of Seattle, Washington and changed its name to Unified Grocers. Unified Grocers' headquarters are in Commerce, California.

Pacific Benefits Trust, a Washington domiciled MEWA, merged with and consolidated into the Trust effective January 1, 2010. The purpose of the merger and consolidation was to strengthen forces to provide employee welfare benefits to employers in grocery, food, drug, hardware and/or household industry.

Capitalization

ORS 750.309(3) requires the Trust maintain capital and surplus of not less than \$250,000 or an amount equal to 35% of incurred claims for the preceding twelve month period, whichever is greater. However, the required maximum amount shall not exceed \$500,000. As of December 31, 2016, the Trust's surplus was \$2,922,094, which complies with this statute.

Dividends and Other Distributions

Under the IRC Code, Section 501(c)(9), the Trust's earnings may not benefit any private individual, organization, or shareholder other than through the payment of benefits. The Trust paid no dividends nor made any distribution during the period under examination.

CORPORATE RECORDS

Board of Trustee Minutes

Board of Trustee members meet quarterly to discuss large claims, reinsurance coverages, and other matters relating to the Trust and to review its financial statements. A review of the Board of Trustee minutes indicated the Trustees performed their designated duties in managing the affairs of the Trust as specified in the Trust Agreement. A quorum was present at all meetings. The Trust utilizes a consulting investment manager and has adopted a written investment plan approved by the Trustees. The Minutes supported the transactions of the Trust and the actions taken by its officers.

Trust Agreement

The Trust has neither Articles of Incorporation nor Bylaws. Instead, the Amended and Restated Trust Agreement, effective January 1, 2010, defines its purpose, authority and duties of the Trustees, establishes a Plan Administrator, sets forth rules for election, resignation, removal and substitution of Trustees, and establishes procedures for a successor trustor, among other items including rights and responsibilities of employers, employees, and beneficiaries with respect to the MEWA.

The Trust Agreement was amended effective May 1, 2013, to provide for the election of at least five Trustees but not more than eleven Trustees by all member stores including a Chairman, Vice-Chairman, Secretary, and Treasurer. A majority of the Trustees must be individuals covered under the Plan and must have an employment or independent contractor relationship with a Sponsoring Employer. Trustee terms were established at five years with no limits on the number of terms a Trustee may serve.

The Trust Agreement was further amended effective September 24, 2015, by revising the definition for a “sponsoring employer” to include the Trustor, any member of the Trustor, and any other in-store pharmacy, grocery, food, or hardware retailer approved by the Trustees as long as they comply with the Trust Agreement and requirements for participation in the Plan.

Article V – Section 5.1 of the Agreement states “The Trustees shall elect a Chairman, Vice-Chairman, Secretary and Treasurer, each of whom will continue to serve in that capacity until his or her death, incapacity, resignation, or expiration of his or her term, or until removed from such position by a majority vote of the Trustees.” The 2016 Annual Statement did not indicate a Treasurer as one of the officers.

I recommend the Trust appoint a Treasurer as one of their officers in accordance with the Trust Agreement and include on the Jurat page of future statement filings, pursuant to ORS 750.318(1).

MANAGEMENT AND CONTROL

Trustor

The Trust Agreement designated the trustor as Unified Grocers, Inc. a California corporation registered to do business in Oregon as of October 11, 1999. The trustor’s principal activity is to distribute food products and related general merchandise products primarily to retail establishments owned by its member shareholders.

Trustees

The trust agreement directs the trustor to appoint trustees, each of whom has a fiduciary duty to manage the Trust’s assets. The trustees shall serve until death, incapacity, resignation or removal as provided by the Trust Agreement. Appointed trustees serving at December 31, 2016 were as follows:

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Member Since</u>
Christopher Robert Brown Yakima, Washington	Owner Wray's Incorporated	July, 2009
Rodney Lynn Byrd Puyallup, Washington	Controller Saar's Incorporated	October, 2009
Frank David Cutsforth Canby, Oregon	President & Owner Cutsforth Thriftway	August, 2006
Gerry Rudolph Dory Bend, Oregon	President & Owner Rudy's Markets, Inc.	January, 2012
Joseph Anthony Ney * Placentia, California	Vice President – Insurance –retired Unified Western Grocers, Inc.	March, 2005
Shelly Ann Paul Forks, Washington	Owner and HR Manager Forks Outfitters	October, 2015
James Edward Robinson Depoe Bay, Oregon	Owner Lincoln Beach Sentry Market	October, 2007
Michael Stephen Trask Lake Stevens, Washington	President and Owner Stanlar Foods, Inc.	July, 2009

* Chairman

Under ORS 750.317(1), at least 50% of the trustees shall be persons who are covered under the multiple welfare arrangement. A trustee may not be an owner, officer or employee of a third party administrator who is licensed pursuant to ORS 744.700 to 744.740 and provides services to a multiple employer welfare arrangement. The Trust was in compliance with ORS 750.317(1).

Officers

Principal officers appointed by the trustees and serving at December 31, 2016, were as follows:

<u>Name</u>	<u>Title</u>
Joseph Anthony Ney	Chairman
Michael Stephen Trask	Vice-Chair
Frank David Cutsforth	Secretary

CONFLICT OF INTEREST

Trustees and officers are required to sign a Standards of Conduct statement annually, which includes disclosing any conflicts of interest. These statements describe the duties and responsibilities owed to the Trust. From a review of the completed conflict of interest questionnaires, the Trust's personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

INSURANCE HOLDING COMPANY REGISTRATION STATEMENT

The Trust is not part of a holding company system and therefore is not required to file the insurance holding company registration statements (Form B) in accordance with the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020.

Administrative Services Agreement

The Trust has no employees. Instead, it has signed an administrative service agreement with Cypress Benefits Administrators, Inc. (CBA) to provide services which include: claims processing, underwriting, record maintenance, premium collection, and all services necessary to comply with applicable laws and to properly administer the benefits provided by the Trust. In return, the Trust pays CBA a monthly per-subscriber administrative fee.

FIDELITY BONDS AND OTHER INSURANCE

The examination of insurance coverages involved a review of the adequacy of limits and retention and the solvency of the insurers providing the coverage. The Labor Management Trust Fiduciary Liability policy issued by Chubb insures the Trust against losses from employee wrongful acts for up to \$5,000,000. The fidelity coverage was above the minimum limits prescribed by the NAIC and complies with ORS 750.318(3). The Trust maintained no additional insurance coverages.

TERRITORY AND PLAN OF OPERATION

The Trust provides health, prescription, vision, and dental benefits to food and hardware industry employers who are members and customers of Unified Grocers, Inc., in the States of Alaska, Oregon, and Washington.

The Trust provides benefits covering participating members' employees who have regular work schedules of at least 20 hours per week and meet the eligibility criteria of their employer. The Trust also purchases coverage from unrelated insurance companies for various types of coverage including life, accidental death and dismemberment, and long-term disability. The Trust provides medical and other benefits to active and retired employees making self contributions for a period as determined by the master contract.

Tom Newton, Marketing Director, markets the Trust to members and customers of Unified Grocers. Unified Grocers bills each member store monthly for premiums and groceries on a combined invoice.

The Trust reported total enrolled members over the past five years as follows:

Line of Business	2016	2015	2014	2013	2012
Group hospital & medical	2,881	2,854	2,963	2,984	3,070
Dental Only	<u>2,927</u>	<u>2,811</u>	<u>2,756</u>	<u>2,755</u>	<u>2,748</u>
Total enrollment	<u>5,808</u>	<u>5,665</u>	<u>5,719</u>	<u>5,739</u>	<u>5,818</u>

GROWTH OF THE COMPANY

Growth of the Trust over the last five years is reflected in the following schedule. The stated amounts were obtained from the Trust's filed annual statements, except in those years in which a report of examination was published by the Division of Financial Regulation.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Net Income (Loss)</u>
2012	\$ 7,779,428	\$ 3,572,155	\$ 4,207,273	\$ 1,202,729
2013 *	8,216,439	3,411,982	4,804,457	608,604
2014	8,345,170	2,447,055	5,898,115	1,096,717
2015	7,626,634	3,011,373	4,615,261	(1,293,613)
2016 *	5,981,380	3,059,286	2,922,094	(1,687,259)

*Per examination

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Trust over the last five years. Amounts were obtained from copies of the Trust's filed annual statements and, where indicated, from the previous examination reports.

<u>Year</u>	<u>(1) Total Revenues</u>	<u>(2) Total Hospital and Medical</u>	<u>(2)/(1) Medical Loss Ratio</u>	<u>(3) Claim Adjustment and General Expenses</u>	<u>(2)+(3)/(1) Combined Loss Ratio</u>
2012	16,335,895	13,706,581	83.9%	1,554,955	93.4%
2013*	16,118,246	13,874,378	86.1%	1,746,433	96.9%
2014	15,803,189	12,884,554	81.5%	1,903,572	93.6%
2015	15,574,000	14,655,578	97.2%	1,814,820	108.8%
2016*	16,409,304	16,886,431	100.0%	1,775,087	110.8%

*Per examination

A combined loss and expense incurred to premium ratio of more than 100% indicates an underwriting loss. The Trust reported underwriting gains in 2012, 2013 and 2014 and underwriting losses in 2015 and 2016.

REINSURANCE

Assumed Business

None

Ceded Business

During the period under examination, the Trust entered into annual Stop Loss Reinsurance Agreements with HCC Life Insurance Company of Kennesaw, Georgia (NAIC #92711,

authorized in Oregon on June, 14 1982). Under the terms of the 2016 Agreement, HCC Life assumes medical and prescription losses in excess of \$200,000 retention per each contract period per covered person. Covered expenses are those incurred from February 1, 2016 through January 31, 2017 and paid from February 1, 2016 through July 31, 2017. Both the lifetime reimbursement maximum per covered person and the contract period reimbursement maximum per covered person are unlimited. Specific percentage reimbursable is 100%. Basic reinsurance contract terms and conditions in 2016 were the same as the terms and conditions in 2014 and 2015. The deposit premium and premiums for single and family are the only items that changed between years. The Agreement did not contain a termination provision regarding proper notification to the Director of the Department of Consumer and Business Services pursuant to the provisions of ORS 750.309(2b).

I recommend that the Trust amend their Stop Loss Reinsurance Agreement with HCC Life Insurance Company to include a termination provision to include a proper written notification to the Director of DCBS pursuant to the provisions of ORS 750.309(2)(b).

Risk Retention

Based on the Trust's total capital and surplus of \$2,922,094 at December 31, 2016, they do not maintain risk on any one participant in excess of ten percent of its capital and surplus, pursuant to the provisions of ORS 750.309(2).

ACCOUNTS AND RECORDS

In general, the Trust's accounting and corporate records were maintained in a manner in which the financial condition was readily verifiable as required by the provisions of ORS 733.170. The Trust maintains its accounting records on a statutory basis for NAIC Annual Statement reporting. The Trust is audited annually by the certified public accounting firm of Kern and Thompson, LLC. and received unqualified opinions for each of the three years under review. The Trust has

a system in place to account for unclaimed funds, and the Plan Administrator is aware the Trust is required to report uncashed checks as abandoned property pursuant to the provisions of ORS 98.352.

STATUTORY DEPOSITS

To satisfy the statutory deposit requirements in Oregon for a Multiple Employer Welfare Arrangement, the Trust has on deposit an FHLB bond totaling \$50,000 (par value), and three U.S. Treasury Notes totaling \$200,000 (par value) with the Department of Consumer and Business Services, Division of Financial Regulation pursuant to the provisions of ORS 750.309(4)(b). The assets were confirmed directly by U.S. Bank and was properly disclosed on Schedule E – Part 3 in the 2016 Annual Statement.

Additional deposits were made with the State of Alaska, for the Alaska Division of Insurance, consisting of a \$200,000 (par value) certificate of deposit confirmed directly at First National Bank Alaska, and with the State of Washington, Office of the Insurance Commissioner, consisting of three Federal Home Loan Bank bonds totaling \$155,000 (par value) and a FHLM bond totaling \$50,000 (par value) were confirmed directly at U.S. Bank.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There was one recommendation was made in the 2013 report of examination, however, no adjustments to policyholder surplus were made. The current examination verified that a custodial agreement with KeyBank NA was in compliance with OAR 836-027-0200(4)(a) to (l).

SUBSEQUENT EVENTS

There were no significant events subsequent to the exam coverage dates that warranted inclusion in this report.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Trust with the Oregon Division of Financial Regulation and present the financial condition of the Trust as of December 31, 2016. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Statement of Assets
Statement of Liabilities, Capital and Surplus
Statement of Revenue and Expenses
Reconciliation of Surplus since the Last Examination

WESTERN GROCERS EMPLOYEE BENEFITS TRUST
ASSETS
As of December 31, 2016

<u>ASSETS</u>	<u>Balance per Trust</u>	<u>Examination Adjustments</u>	<u>Balance per Examination</u>	<u>Notes</u>
Bonds	\$ 4,211,286	\$ -	\$ 4,211,286	1
Cash, cash equivalents and short-term investments	1,438,701	-	1,438,701	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	<u>\$ 5,649,987</u>	<u>-</u>	<u>\$ 5,649,987</u>	
Investment income due and accrued	16,862	-	16,862	
Premiums and considerations:				
Uncollected premiums and agent's balances in the course of collection	1,416	-	1,416	
Amounts recoverable from reinsurers	258,429	-	258,429	
Aggregate write-ins for other than invested assets	<u>54,686</u>	<u>-</u>	<u>54,686</u>	
Total Assets	<u>\$ 5,981,380</u>	<u>\$ -</u>	<u>\$ 5,981,380</u>	

WESTERN GROCERS EMPLOYEE BENEFITS TRUST
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2016

Liabilities, Surplus and other Funds	Balance per Trust	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	\$ 2,762,727	\$ -	\$ 2,762,727	2
Accrued medical incentive pool and bonus arrangements	-	-	-	
Unpaid claims adjustment expenses	133,907	-	133,907	2
General expenses due or accrued	162,652	-	162,652	
Aggregate write-ins for liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Total Liabilities	<u>\$ 3,059,286</u>	<u>\$ -</u>	<u>\$ 3,059,286</u>	
Common capital stock	-	-	-	
Gross paid in and contributed surplus	1,142,866	-	1,142,866	
Unassigned funds (surplus)	<u>1,779,228</u>	<u>-</u>	<u>1,779,228</u>	
Surplus as regards policyholders	<u>2,922,094</u>	<u>-</u>	<u>2,922,094</u>	
Total liabilities, capital and surplus	<u>\$ 5,981,380</u>	<u>\$ -</u>	<u>\$ 5,981,380</u>	

WESTERN GROCERS EMPLOYEE BENEFITS TRUST
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2016

	<u>Balance per Trust</u>	<u>Examination Adjustments</u>	<u>Balance per Examination</u>	<u>Notes</u>
Net premium income	\$ 16,409,304	\$ -	\$ 16,409,304	
Aggregate write-ins for other non-health care related revenue	-	-	-	
Total Revenues	<u>16,409,304</u>	<u>-</u>	<u>16,409,304</u>	
Hospital and Medical:				
Hospital/medical benefits	13,462,227	-	13,462,227	
Other professional services	1,208,373	-	1,208,373	
Prescription drugs	<u>3,052,379</u>	<u>-</u>	<u>3,052,379</u>	
Subtotal:	17,722,979	-	17,722,979	
Less:				
Net reinsurance recoveries	<u>836,548</u>	<u>-</u>	<u>836,548</u>	
Total hospital and medical	16,886,431	-	16,886,431	
Non-health claims	-	-	-	
Claims adjustment expenses	895,060	-	895,060	
General administrative expenses	880,027	-	880,027	
Increase in reserves for life and accident and health contracts	<u>(479,820)</u>	<u>-</u>	<u>(479,820)</u>	
Total underwriting deductions	<u>18,181,698</u>	<u>-</u>	<u>18,181,698</u>	
Net underwriting gain or (loss)	<u>(1,772,394)</u>	<u>-</u>	<u>(1,772,394)</u>	
Net investment income earned	90,987	-	90,987	
Net realized capital gains or (losses)	<u>183</u>	<u>-</u>	<u>183</u>	
Net investment gains or (losses)	<u>, 91,170</u>	<u>-</u>	<u>91,170</u>	
Aggregate write-ins for other income or expenses	-	-	-	
Net Income (loss)	<u>\$ (1,687,259)</u>	<u>\$ -</u>	<u>\$ (1,687,259)</u>	

WESTERN GROCERS EMPLOYEE BENEFITS TRUST
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31,

	2016	2015	2014
Capital and surplus, December 31, prior year	<u>\$ 4,615,261</u>	<u>\$ 5,898,115</u>	<u>\$ 4,804,457</u>
Net income (loss)	(1,687,259)	(1,293,613)	1,096,717
Change in net unrealized capital gains or (losses)	(5,908)	(5,893)	(5,565)
Change in net deferred income tax	-	-	-
Change in non-admitted assets	-	16,652	2,506
Change in provision for reinsurance	-	-	-
Change in treasury stock	-	-	-
Cumulative effects of changes in accounting principles	-	-	-
Capital changes:			
Paid in	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-
Transferred to surplus	-	-	-
Surplus adjustments:			
Paid in	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-
Transferred from capital	-	-	-
Dividends to stockholders (cash)	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-
Examination adjustment	-	-	-
Aggregate write-ins for gains and losses in surplus	<u>-</u>	<u>-</u>	<u>-</u>
Net change in capital and surplus	<u>(1,693,167)</u>	<u>(1,282,854)</u>	<u>1,093,658</u>
Capital and surplus, December 31, current year	<u>\$ 2,922,094</u>	<u>\$ 4,615,261</u>	<u>\$ 5,898,115</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At December 31, 2016, the Trust's long-term bond investments were in US Government issuer obligations and in corporate issues. The Trust did not report any direct exposure in mortgage backed or asset-backed securities.

The Trust reported \$160,229 in short-term investments which were comprised of three US Government obligations maturing in less than one year. Cash on deposit was held in one account at Key Bank and one account at First National Bank of Alaska for the statutory deposit.

A comparison of the major investments over the past five years shows the following:

<u>Year</u>	<u>A</u> <u>Bonds</u>	<u>B</u> <u>Cash and</u> <u>Short-term</u>	<u>Ratio A/</u> <u>Total Invested</u> <u>Assets</u>	<u>Ratio B/</u> <u>Total Invested</u> <u>Assets</u>
2012	\$ 4,508,603	\$ 2,671,276	62.4%	37.2%
2013 *	4,698,123	2,925,265	61.6%	38.4%
2014	6,036,857	1,735,403	77.7%	22.3%
2015	5,498,603	1,425,330	79.4%	20.6%
2016 *	4,211,286	1,438,701	74.5%	25.5%

*Per examination

Investment transactions were approved by the Board of Trustees, pursuant to ORS 733.730. As of December 31, 2016, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits in accordance with ORS 733.580.

Effective March 1, 1993 the Trust entered into a custodial agreement with US Bank of Oregon located in Portland, Oregon. This agreement did not contain the protections required by OAR 836-027-0200(4)(a) to (l). During fieldwork, the examination team received an amended Custodial Agreement between the Trust and US Bank, NA that complied with the provisions of the Administrative Rule. As a result, this Report will not make a formal recommendation.

Note 2 – Actuarial Reserves

A review of the unpaid claims and claim adjustment expense reserves for the Trust was performed by David Ball, FSA, MAAA, life and health actuary for the Oregon Division of Financial Regulation. As part of his review, he examined the Actuarial Report Supporting statements as of December 31, 2016 prepared by the Trust's consulting actuary, Lynn F. Dong, FSA, MAAA, of Milliman, Inc., Seattle, Washington.

Mr. Ball reviewed the reconciliation of the data used in the Trust's Actuarial Report to the data in the actuarial work-papers and found them to be consistent. He relied on work performed by the examiners who reviewed the underlying data used to create the Annual Statement filing, as well as prepared his own independent calculations. He determined the following:

	<u>My Estimate</u>	<u>Annual Statement</u>
Claims Unpaid	\$ 2,607,085	\$2,762,727
Accrued Medical Incentive Pool and Bonus Payments	0	0
Unpaid Claims Adjustment Expenses	133,907	133,907
Premium Deficiency Reserves	<u>0</u>	<u>0</u>
Total Actuarial Liabilities	<u>\$ 2,740,992</u>	<u>\$ 2,896,634</u>

The appointed actuary opined that the reserves for unpaid claims and CAE carried by the Trust as of December 31, 2016, were reasonable. Mr. Ball's total estimate was less than the appointed actuary's estimate by \$155,642, indicating a reserve redundancy. He concurred that the reserves of the Plan were reasonably stated as of December 31, 2016.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

This Report made no adjustments to Surplus. The following is a summary of the recommendations made in this report of examination:

Page

- 7 I recommend the Trust appoint a Treasurer as one of their officers in accordance with their Trust Agreement and include on the Jurat page of future statement filings, pursuant to ORS 750.318(1)
- 12 I recommend that the Trust amend their Stop Loss Reinsurance Agreement with HCC Life Insurance Company to include a termination provision to include a proper written notification to the Director of DCBS pursuant to the provisions of ORS 750.309(2)(b).

CONCLUSION

During the three year period covered by this examination, the surplus of the Trust has decreased from \$4,804,457, as presented in the December 31, 2013 report of examination, to \$2,922,094, as shown in this report. The comparative assets and liabilities are:

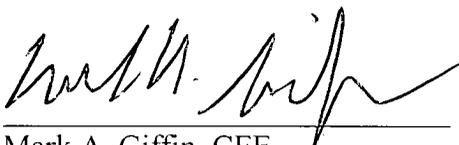
	December 31,		
	<u>2016</u>	<u>2013</u>	<u>Change</u>
Assets	\$ 5,981,380	\$ 8,216,439	\$ (2,235,059)
Liabilities	<u>3,059,286</u>	<u>3,411,982</u>	<u>352,696</u>
Surplus	<u>\$ 2,922,094</u>	<u>\$ 4,804,457</u>	<u>\$ (1,882,363)</u>

ACKNOWLEDGMENT

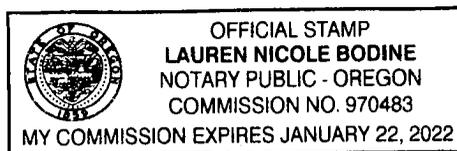
The cooperation and assistance extended by the directors of the Trust, and the officers and employees of the Plan Administrator, Cypress Benefits Administrators, during the examination process are gratefully acknowledged.

In addition to the undersigned, Brandon K. Lau, insurance examiner and David M. Ball, FSA, MAAA, Life and Health actuary with the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in the examination.

Respectfully submitted,



Mark A. Giffin, CFE
Senior Financial Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon



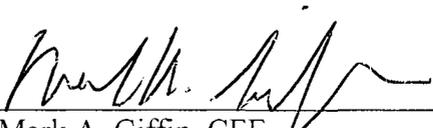
AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

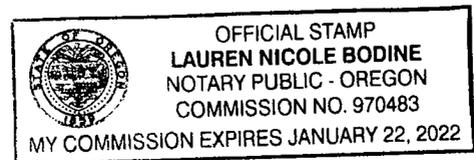
Mark A. Giffin, CFE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of Western Grocers Employee Benefits Trust, Clackamas, Oregon.
2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report. The examination of Western Grocers Employee Benefits Trust was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.



Mark A. Giffin, CFE
Senior Insurance Examiner
Department of Consumer and Business Services
State of Oregon



Subscribed and sworn to me this 25th day of May, 2018.



Notary Public for the State of Oregon

My Commission Expires: 1/22/2022