



STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

INSURANCE DIVISION

REPORT OF FINANCIAL EXAMINATION

OF

**PIONEER EDUCATORS HEALTH TRUST
PORTLAND, OREGON**

NAIC COMPANY CODE 12619

AS OF

DECEMBER 31, 2010

TABLE OF CONTENTS

SALUTATION	3
SCOPE OF EXAMINATION	4
COMPANY HISTORY	5
<i>Capitalization</i>	5
<i>Dividends to Stockholders and Other Distributions</i>	6
CORPORATE RECORDS	6
<i>Trust Minutes</i>	6
<i>Trust Records</i>	6
MANAGEMENT AND CONTROL	6
<i>Trustor</i>	6
<i>Trustees</i>	7
<i>Officers</i>	7
<i>Conflict of Interest</i>	8
<i>Insurance Holding Company Registration Statement</i>	8
<i>Agreements</i>	8
FIDELITY BONDS AND OTHER INSURANCE	9
TERRITORY AND PLAN OF OPERATION	9
GROWTH OF THE COMPANY	10
LOSS EXPERIENCE	10
REINSURANCE	10
<i>Assumed Business</i>	10
<i>Ceded Business</i>	11
<i>Provision for Notification Upon Termination</i>	11
ACCOUNTS AND RECORDS	11
<i>Stale Dated Checks</i>	12
STATUTORY DEPOSIT	12
COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS	12
SUBSEQUENT EVENTS	12
FINANCIAL STATEMENTS	12
NOTES TO FINANCIAL STATEMENTS	17
<i>Note 1- Investments</i>	17
<i>Note 2 – Claims Unpaid and Claims Adjustment Expenses</i>	17
SUMMARY OF COMMENTS AND RECOMMENDATIONS	18
CONCLUSION	18
ACKNOWLEDGMENT	19
AFFIDAVIT	20

SALUTATION

September 15, 2011

Honorable Scott Harra, Acting Director
Department of Consumer and Business Services
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

PIONEER EDUCATORS HEALTH TRUST
700 NE Multnomah Street, Suite 1300
Portland, Oregon 97232

NAIC Company Code 12619

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

SCOPE OF EXAMINATION

We have performed our examination of Pioneer Educators Health Trust. The examination was a single-state examination. The last examination of the Oregon domestic Multiple Employer Welfare Arrangement (MEWA) was completed as of December 31, 2007. This examination covers the period of January 1, 2008, to December 31, 2010.

We conducted our examination pursuant to ORS 731.300 and in accordance with ORS 731.302(1), which allows the 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 and identify prospective risks of the company by obtaining information about the company including corporate governance, identifying and assessing inherent risks within the company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instruction when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk focused examination process.

Scott Fitzpatrick, FSA, MAAA, life and health actuary for the State of Oregon, Department of Consumer and Business Services, participated in this examination by evaluating losses and loss adjustment expenses unpaid. The results of his analyses are found under the relevant section of this report.

COMPANY HISTORY

The Trust was organized on July 1, 2002, as a Voluntary Employers Beneficiary Association under the provision of Section 501(c)(9) of the 1986 IRC Code and is subject to the Employee Retirement Income Security Act of 1974 (ERISA) as well as the Oregon Insurance Code. It received a certificate of authority on April 14, 2003, under the name Oregon Independent Colleges Employee Benefit Association. The Trust was formed to provide health and welfare benefits to employees of participating colleges that are members of the Oregon Independent Colleges Association. The Trust changed its name to its current name, Pioneer Educators Health Trust, effective April 1, 2006.

The Trust is sponsored by the Oregon Independent Colleges Association (OICA). Membership in the OICA is open to Oregon-based regionally-accredited nonprofit institutions. All twenty eligible institutions are members. OICA's Board is composed of all member institution presidents. The OICA is a 501(c)(3) corporation and is funded through a combination of member dues and outside grants.

Seven of the twenty eligible members of OICA participate in the Trust. These are: George Fox University, Lewis & Clark College, Linfield College, Pacific University, Reed College, Western States Chiropractic College (now known as University of Western States), and Willamette University.

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 12 month period, whichever is greater. However, this required amount may not be more than \$500,000. As of December

31, 2010, the Trust's surplus was \$3,494,746, and the Trust was in compliance with the requirement of the statute.

Dividends to Stockholders 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 did not pay any dividends or make any distribution during the period examined.

CORPORATE RECORDS

Trust Minutes

The Trustees met six times each year under examination to discuss large claims, reinsurance coverages, and other matters relating to the Trust and to review its financial statements. A review of the minutes showed adequate detail which supported the activities of the Trustees. A quorum was present at all meetings.

Trust Records

The Trust has neither Articles of Incorporation nor Bylaws. Instead, the Trust Agreement defines its purpose and sets forth the rights and responsibilities of its trustees, employers, employees, and beneficiaries with respect to the MEWA. The Trust Agreement was first established effective July 1, 2002, and was last amended and restated on April 1, 2003. The Trust Agreement complies with the Oregon Insurance Code.

MANAGEMENT AND CONTROL

Trustor

The Trustor is the Oregon Independent Colleges Association, an Oregon corporation registered to do business in Oregon as of December 30, 1960. The Trustor's principal activity is to develop and promote cooperative programs and activities that further academic

excellence and enhance educational opportunity among member institutions and throughout higher education in Oregon.

Trustees

One trustee is appointed by each of the participating colleges and serves until their resignation, removal, incapacity or death. A trustee may be removed at any time by action of the appointing college. The Trust was governed by a Board of Trustees at December 31, 2010, as follows:

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Member Since</u>
Isaac E. Dixon Portland, OR 97219	Associate VP and Director HR Lewis and Clark College	2010
W. Glenn Ford McMinnville, OR 97128	VP Finance & Administration Linfield College	2007
G. Michael Goins Newburg, OR 97132	VP for Financial Affairs George Fox University	2003
Keith A. Grimm Salem, OR 97301	Director of Human Resources Willamette University	2008
Carrie J. Loewen Portland, OR 97230	Director of Human Resources Western States Chiropractic College	2007
Michael D. Mallery Forest Grove, OR 97116	VP Finance and Administration Pacific University	2010
Edwin O. McFarlane * Portland, OR 97202 *Chairman	Chief Financial Officer Reed College	2003

Officers

Officers appointed by the trustees and serving at December 31, 2010, were as follows:

<u>Name</u>	<u>Title</u>
Edwin O. McFarlane	Chairperson
W. Glenn Ford	Vice-Chair
G. Michael Goins	Treasurer
Rico Bocala	Plan Administrator

Conflict of Interest

Conflict of interest statements are incorporated into the Standard of Conduct forms completed by the Trustees, which all but two of the Trustees last signed back in 2008. A review of the Standard of Conduct forms revealed the Trustees reported no conflicts of interest.

Insurance Holding Company Registration Statement

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

Agreements

Third Party Administration Agreement

The Trust has signed an administrative service agreement with Western Benefits, Inc. (WBI), to provide regulatory and financial accounting services for the Trust, including preparation of required filings and accounting records, facilitating annual CPA audits and triennial examinations, and all other services necessary to comply with applicable laws and to properly administer the benefits provided by the Trust. In return the Trust pays WBI direct costs and a monthly per-employee administrative fee.

Administrative Services Contract

Effective April 1, 2010, the Trust entered into an Administrative Service Contract with Regence BlueCross BlueShield of Oregon (Regence BCBSO) to obtain certain ministerial administrative services, including claims processing. The agreement automatically renews annually, unless terminated by giving 30 days written notice by either party.

FIDELITY BONDS AND OTHER INSURANCE

Insurance coverages were reviewed to determine the adequacy of limits and the amount of risk retained by the Trust. The solvency of the insurers providing the coverages was also reviewed. ORS 750.318 requires the Trust to secure a fidelity bond on all officers and persons appointed to act on behalf of the board who handle the funds of the trust. To establish the amount of the bond, the director of DCBS shall consider the formula provided in the NAIC examiner's handbook. At December 31, 2010, the Trust was insured for fidelity liability to a limit of \$300,000. The fidelity coverage exceeded the NAIC's recommended minimum. Other coverages in force at December 31, 2010, were found to be adequate, as follows:

Directors and Officers Liability	Employment Practices Liability
Business Liability	Fiduciary liability

TERRITORY AND PLAN OF OPERATION

The Trust provides medical, dental and vision benefits to employees and dependents that meet the eligibility criteria of the OICA. Coverage is also provided to active and retired employees making self contributions.

There was no marketing done by the Trust, membership consisted of the employees of the member colleges and universities. Enrollment during the period under examination was:

	<u>Medical</u>	<u>Dental</u>	<u>Total</u>
2008	3,065	3,668	6,733
2009	3,173	3,554	6,727
2010	3,177	3,501	6,678

GROWTH OF THE COMPANY

The growth of the Trust over the last five years is reflected in the following schedule. The stated amounts were derived from the Trust's filed annual statements, except in those years where a report of examination has been published by the Oregon Insurance Division.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Net Income (Loss)</u>
2006	\$3,667,733	\$2,438,638	\$1,229,095	\$ (1,077,155)
2007*	4,321,785	1,974,086	2,347,699	1,096,441
2008	4,888,528	1,379,392	3,509,136	1,235,409
2009	4,280,229	1,501,683	2,778,546	(644,216)
2010*	5,292,006	1,797,260	3,494,746	1,374,741

*Per examination

LOSS EXPERIENCE

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

<u>Year</u>	<u>(1) Premium Earned</u>	<u>(2) Losses Incurred</u>	<u>(3) Expenses Incurred</u>	<u>(2)+(3)/(1) Combined Loss Ratio</u>
2006	\$12,258,221	\$12,635,193	\$ 838,815	109.9%
2007*	13,328,225	11,725,762	685,378	93.1%
2008	14,423,811	11,834,585	1,553,309	92.8%
2009	15,642,843	14,607,495	1,811,926	105.0%
2010*	17,306,071	14,412,702	1,570,040	92.4%

*Per examination

A combined loss incurred and expense to premium ratio of more than 100% would indicate an underwriting loss, which occurred in 2006 and 2009.

REINSURANCE

Assumed Business

None.

Ceded Business

HCC Life Insurance Company reinsures the Trust under a stop-loss reinsurance policy covering the risks at December 31, 2010. The policy provides reinsurance coverage for medical expenses and prescription claims in excess of \$125,000 per member, with a lifetime maximum reimbursement of \$1,875,000 per person. Claims incurred and paid from April 1, 2010, through March 31, 2011, are covered under the treaty. In addition to the per member limitations, once the aggregate deductible amount has been reached for the agreement year, the reinsurer pays 100% of eligible charges up to \$1,000,000.

Provision for Notification Upon Termination

The reinsurance agreement did not contain a required provision that it may not be terminated for any reason by any person unless the director of the Department of Consumer and Business Services receives a written notice of termination from the insurer at least 30 days before the effective date of the termination, as required by ORS 750.309(2).

I recommend the Trust have its reinsurer amend the stop-loss reinsurance policy to contain the prohibition of termination unless notice is received by the Director, as required by ORS 750.309(2). I further recommend all future reinsurance agreements entered into by the Trust contain the required language.

ACCOUNTS AND RECORDS

In general, the Trust's records and source documentation supported the amounts presented in the Trust's December 31, 2010, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170. However, the following issues were noted as a result of this examination:

Stale Dated Checks

The Trust has a system in place to account for unclaimed funds, however, the Trust failed to file the required reports on abandon property pursuant to the provisions of ORS 98.352.

I recommend the Trust comply with the provisions of ORS 98.352 and file the appropriate forms with the Division of State Lands.

STATUTORY DEPOSIT

As of December 31, 2010, the Trust had filed a \$250,000 surety bond with the Oregon Insurance Division to meet the requirements of ORS 750.309(5).

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The Company has taken corrective action with respect to the three recommendations made in the 2007 report of examination. A follow-up report was prepared on January 10, 2011.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date that would require additional disclosure or that would materially affect the financial position reported in this report of examination.

FINANCIAL STATEMENTS

The following examination financial statements show the financial conditions of Pioneer Educators Health Trust as of December 31, 2010:

- Balance Sheet
- Statement of Revenue and Expenses
- Reconciliation of Surplus Since the last Examination
- Analysis of Changes in Financial Statements as a Result of this Examination

PIONEER EDUCATORS HEALTH TRUST
BALANCE SHEET
As of December 31, 2010

	<u>Balance per Company</u>	<u>Examination Adjustments</u>	<u>Balance per Examination</u>	<u>Note</u>
Assets				
Bonds	\$4,665,000	\$ 0	\$4,665,000	1
Cash and short-term investments	416,085	-	416,085	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	\$5,081,085	-	\$5,081,085	
Investment income due and accrued	9,272	-	9,272	
Premiums and considerations:				
Uncollected premiums and agent's balances in the course of collection	17,661	-	17,661	
Amounts recoverable from reinsurers	183,988	-	183,988	
Aggregate write-ins for other than invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Total Assets	<u>\$5,292,006</u>	<u>\$ 0</u>	<u>\$5,292,006</u>	
Liabilities, Capital and Surplus				
Claims unpaid	\$1,110,412	\$ 613,803	\$1,724,215	2
Accrued medical incentive pool and bonus arrangements	-	-	-	2
Unpaid claims adjustment expense	48,985	19,984	68,969	2
General expenses due or accrued	3,903	-	3,903	
Aggregate write-ins for liabilities	<u>173</u>	<u>-</u>	<u>173</u>	
Total Liabilities	<u>\$1,163,473</u>	<u>\$ 633,787</u>	<u>\$1,797,260</u>	
Common capital stock	-	-	-	
Gross paid in and contributed surplus	2,200,798	-	2,200,798	
Aggregate write-ins for other than special surplus funds	-	-	-	
Unassigned funds (surplus)	<u>1,927,735</u>	<u>(633,787)</u>	<u>1,293,948</u>	
Total capital and surplus	<u>4,128,533</u>	<u>(633,787)</u>	<u>3,494,746</u>	
Total liabilities, capital and surplus	<u>\$5,292,006</u>	<u>\$ 0</u>	<u>\$5,292,006</u>	

PIONEER EDUCATORS HEALTH TRUST
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2010

	<u>Balance per Company</u>	<u>Examination Adjustment</u>	<u>Balance per Examination</u>	<u>Note</u>
Net premium income	\$17,306,071	\$ -	\$17,306,071	
Aggregate write-ins for other non-health care related revenue	-	-	-	
Total Revenues	<u>17,306,071</u>	<u>-</u>	<u>17,306,071</u>	
Hospital and Medical:				
Hospital/medical benefits	11,420,243	-	11,420,243	
Other professional services	1,848,272	-	1,848,272	
Prescription drugs	<u>2,169,701</u>	<u>-</u>	<u>2,169,701</u>	
Subtotal:	15,438,216	-	15,438,216	
Less:				
Net reinsurance recoveries	<u>1,025,514</u>	<u>-</u>	<u>1,025,514</u>	
Total medical and hospital	14,412,702	-	14,412,702	
Non-health claims	-	-	-	
Claim adjustment expenses	1,366,498	-	1,366,498	
General administrative expenses	203,542	-	203,542	
Increase in reserves for life and accident and health contracts	-	-	-	
Total underwriting deductions	<u>15,982,742</u>	<u>-</u>	<u>15,982,742</u>	
Net underwriting gain or loss	<u>1,323,329</u>	<u>-</u>	<u>1,323,329</u>	
Net investment income earned	51,412	-	51,412	
Net realized capital gains or (losses)	-	-	-	
Net investment gains or (losses)	<u>51,412</u>	<u>-</u>	<u>51,412</u>	
Aggregate write-ins for other income or expenses	-	-	-	
Federal and foreign income taxes incurred	-	-	-	
Net Income (loss)	<u>\$ 1,374,741</u>	<u>\$ -</u>	<u>\$ 1,374,741</u>	

PIONEER EDUCATORS HEALTH TRUST
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31, 2010

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Capital and surplus, December 31, previous year	\$2,778,546	\$3,509,136	\$2,347,699
Net income	1,374,741	(644,216)	1,235,409
Net unrealized capital gains or (losses)	(24,754)	(86,374)	(73,972)
Change in net deferred income tax	-	-	-
Change in nonadmitted assets	-	-	-
Change in provision for reinsurance	-	-	-
Change in surplus notes	-	-	-
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)	-	-	-
Change in treasury stock	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-
Examination adjustment	(633,787)	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-
Change in surplus as regards policyholders for the year	<u>716,200</u>	<u>(730,590)</u>	<u>1,161,437</u>
Surplus as regards policyholders, December 31, current year	<u>\$3,494,746</u>	<u>\$2,778,546</u>	<u>\$3,509,136</u>

PIONEER EDUCATORS HEALTH TRUST
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS AS A RESULT OF THE
EXAMINATION AS OF DECEMBER 31, 2010

	<u>Per Company</u>	<u>Per Examination</u>	<u>Increase (Decrease) in Surplus</u>	<u>Total</u>
Capital and Surplus, 12/31/2010 Per Annual Statement				\$4,128,533
<u>ASSETS</u>				
Assets	-	-	-	
<u>LIABILITIES</u>				
Claims unpaid	1,110,412	1,724,215	(613,803)	
Unpaid claims adjustment expense	<u>48,985</u>	<u>68,969</u>	<u>(19,984)</u>	
Change in unassigned funds	<u>1,159,397</u>	<u>1,793,184</u>	<u>(633,787)</u>	<u>(633,787)</u>
Capital and Surplus, 12/31/2010 Per Examination				<u>\$3,494,746</u>

NOTES TO FINANCIAL STATEMENTS

Note 1- Investments

At December 31, 2010, the Trust's long-term investment portfolio was comprised of certificates of deposit with maturities of greater than one year. Short-term investments consisted of two money market mutual funds. A comparison of the investment classes over the past five years is as follows:

<u>Year</u>	<u>A</u> <u>Bonds</u>	<u>B</u> <u>Cash</u>	<u>C</u> <u>Short-term</u> <u>Investments</u>	<u>Ratio</u> <u>A/</u> <u>Total</u> <u>Invested</u> <u>Assets</u>	<u>Ratio</u> <u>B/</u> <u>Total</u> <u>Invested</u> <u>Assets</u>	<u>Ratio</u> <u>C/</u> <u>Total</u> <u>Invested</u> <u>Assets</u>
2006	1,849,918	(355,267)	1,446,516	57.0%	(10.9)%	44.6%
2007*	1,524,335	(519,886)	3,106,007	37.1%	(12.6)%	75.6%
2008	3,956,828	(159,509)	1,007,187	82.5%	(3.3)%	21.0%
2009	3,806,754	(280,087)	579,383	92.7%	(6.8)%	14.1%
2010*	4,665,000	(432,655)	848,740	91.8%	(8.5)%	16.7%

*Per examination

Approval of investment transactions was performed annually by the Board of Trustees, pursuant to ORS 733.740. As of December 31, 2010, invested assets of \$4,665,000 representing 91.8% of the total invested assets were invested in FDIC insured cash deposits and certificates of deposit, which exceeded the required capitalization amount required by ORS 733.580.

Effective January 7, 2007, the Trust entered into a custodial agreement with Wells Fargo Bank, N.A., which is a qualified banking institution. The custodial agreement contained all the protections in OAR 836-027-0200(4)(a) to (l).

Note 2 – Claims Unpaid and Claims Adjustment Expenses

The DCBS life and health actuary, Scott Fitzpatrick, FSA, MAAA, performed procedures to determine the adequacy of the Trust's claims unpaid and claims adjustment expense liabilities as of December 31, 2010. The scope of his procedures included a review of the Company's valuation methodology, reserving assumptions, and external actuarial reports. He determined the following:

	<u>DCBS Estimate</u>	<u>Annual Statement</u>
Claims Unpaid	\$1,724,215	\$1,110,412
Accrued Medical Incentive Pool and Bonus Payments	-	-
Unpaid Claims Adjustment Expenses	68,969	48,985
Premium Deficiency Reserves	-	-
Total Actuarial Liabilities	<u>\$1,793,184</u>	<u>\$1,159,397</u>

Based on Mr. Fitzpatrick's review, he concluded that the liabilities for claims unpaid and claims adjustment expenses were deficient by \$633,787, and the Trust's surplus was reduced by this amount.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

In addition to the following recommendations, DCBS has presented the Trust with a management letter containing matters not considered material for purposes of this examination.

Page

- 11 I recommend the Trust have its reinsurer amend the stop-loss reinsurance policy to contain the prohibition of termination unless notice is received by the Director, as required by ORS 750.309(2). I further recommend all future reinsurance agreements entered into by the Trust contain the required language.
- 12 I recommend the Trust comply with the provisions of ORS 98.352 and file the appropriate forms with the Division of State Lands.

CONCLUSION

The examiners made an adjustment reducing the Plan's total capital and surplus by \$633,787. During the three year period covered by this financial examination, the surplus of the Company has increased from \$2,347,699, as presented in the December 31, 2007, financial report of examination, to \$3,494,746, as shown in this report of financial examination. The comparative assets and liabilities are shown below:

	<u>2010</u>	December 31, <u>2007</u>	<u>Change</u>
Assets	\$5,292,006	\$4,321,785	\$ 970,221
Liabilities	<u>1,797,260</u>	<u>1,974,086</u>	<u>176,826</u>
Surplus	<u>\$3,494,746</u>	<u>\$2,347,699</u>	<u>\$1,147,047</u>

ACKNOWLEDGMENT

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

In addition to the undersigned, Ellen Quale, AFE, CPA, insurance examiner, and Scott Fitzpatrick, FSA, MAAA, participated in the examination. Both are employees of the State of Oregon, Department of Consumer and Business Services, Insurance Division.

Respectfully submitted,

Greg A. Lathrop, CFE
Supervising Insurance Examiner
Insurance Division
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Greg A. Lathrop, CFE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of Pioneer Educators Health Trust.

2. The State of Oregon, Department of Consumer and Business Services, Insurance Division 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, and the examination of Pioneer Educators Health Trust was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

Greg A. Lathrop, CFE
Supervising Financial Examiner
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to me this _____ day of _____, 2011.

NOTARY PUBLIC for the State of Oregon

My Commission Expires: _____