



STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

INSURANCE DIVISION

REPORT OF FINANCIAL EXAMINATION

OF

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

NAIC COMPANY CODE 12339

AS OF

DECEMBER 31, 2010

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SALUTATION

August 4, 2011

Honorable Joseph Torti III, Superintendent
Chairman, NAIC Financial Condition (E) Committee
State Corporation Commission
Rhode Island Department of Business Regulation
Cranston, Rhode Island

Honorable Scott Harra, Acting Director
Department of Consumer and Business Services
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Superintendent and 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
14835 SE 82nd 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 examination of Western Grocers Employee Benefits 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, 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 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 Western 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. The company has its headquarters in Commerce, California.

Pacific Benefits Trust, a Washington domiciled MEWA, merged with and consolidated into the Trust effective January 1, 2010. Pacific Benefits Trust no longer exists as a MEWA in the State of Washington. 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 12 month period, whichever is greater. However, this amount shall not exceed \$500,000. As of December 31, 2010, the Trust's surplus was \$5,105,226, and the Trust was in compliance with the requirement of this statute.

The merger with Pacific Benefits Trust was accounted for as a statutory merger and consolidation. There were no voting shares of common stock exchanged.

Pre-merger separate company financials were as follows:

	<u>Western Grocers</u>	<u>Pacific Benefits</u>
Revenues	\$7,724,093	\$7,668,116
Net Income	94,531	(257,120)
Surplus	3,581,705	1,052,979

As of January 1, 2010, Pacific Benefits Trust contributed \$1,052,979 to the surplus of Western Grocers Employee Benefits Trust as a result of the merger and consolidation.

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 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 minutes showed sufficient detail which supported the activities of the Trust. A quorum was present at all meetings. The Trust utilizes a consulting investment manager and has adopted a written investment plan. Investment results and changes in the portfolio were presented at most of the meetings. Formal approval of the investments at the meetings began in late 2007.

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 on October 1, 1979, and was last amended effective January 1, 2010, as a result of the merger and consolidation of Pacific Benefits Trust.

MANAGEMENT AND CONTROL

Trustor

The trust agreement designated the Trustor as Unified Grocers, 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 trust agreement requires the Trust to be managed by at least two trustees who shall serve until death, incapacity, resignation or removal as provided by the trust agreement. Appointed trustees serving at December 31, 2010, were as follows:

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Member Since</u>
Christopher R. Brown Yakima, WA 98908	President Wray's Incorporated	2009
Rodney L. Byrd Oak Harbor, WA 98277	Controller Saar's Incorporated	2010
Brad A. Christianson Yakima, WA 98902	Owner Roy's Ace Hardware	2010
Frank D. Cutsforth Canby, OR 97013	Owner Cutsforth Thriftway	2006
Joseph A. Ney* Covina, CA 91724	Vice President – Insurance Unified Grocers	1999

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Member Since</u>
James E. Robinson Depoe Bay, OR 97341	Owner Lincoln Beach Sentry	2007
Gordon E. Smith Vernonia, OR 97064	Owner Vernonia Sentry	2008
Michael S. Trask Granite Falls, WA 98252 *Chairman	President and Owner Stanlar Foods, Inc.	2009

Officers

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

<u>Name</u>	<u>Title</u>
Joseph A. Ney	Chairperson
Michael S. Trask	Vice-Chair
Frank D. Cutsforth	Secretary
Ross E. Dwinell	Plan Administrator

CONFLICT OF INTEREST

Trustees and officers signed a Standards of Conduct statement, which included conflict of interest, corporate opportunity, and confidentiality statements. These statements describe the duties and responsibilities owed to the Trust. A review of the completed statements revealed no exceptions.

INSURANCE HOLDING COMPANY REGISTRATION STATEMENT

The Trust 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 Western Benefits, Inc. (WBI) 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 WBI a monthly per-subscriber administrative fee.

FIDELITY BONDS AND OTHER INSURANCE

Insurance coverages were reviewed for adequacy of limits and retention and solvency of the insurers providing the coverages. Unified Grocers provided the Trust's insurance coverages through its crime coverage insurance policy whereby the Trust is a sponsored plan. The fidelity policy insures the Trust against losses from employee dishonesty or theft for up to \$10,000,000, after a \$100,000 deductible. 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.

PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

The Trust has no employees, and has no need to establish any pension, profit sharing or post retirement benefits to its employees.

TERRITORY AND PLAN OF OPERATION

The Trust provides health, prescription, vision, and dental benefits to food industry employers who are members 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.

There is no marketing done by the Trust. Membership consists of the employees of the member retail stores. Enrollment during the period under examination was as follows:

	<u>Medical</u>	<u>Dental</u>	<u>Indemnity</u>	<u>Total</u>
2008	1,316	2,185	709	4,210
2009	1,699	1,762	425	3,886
2010	2,561	2,699	285	5,545

The increase in membership during 2010 was primarily the result of the merger with Pacific Benefits Trust, as described in the Company History section above.

GROWTH OF THE COMPANY

The 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 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	\$5,258,947	\$1,103,015	\$4,155,932	\$ 9,165
2007*	4,942,504	1,449,750	3,492,754	(657,735)
2008	4,758,257	1,267,180	3,491,077	(1,688)
2009	5,032,917	1,451,212	3,581,705	94,531
2010*	7,874,324	2,769,098	5,105,226	400,814

*Per examination

The increase in assets, liabilities and surplus during 2010 was primarily the result of the merger with Pacific Benefits Trust, as described in the Company History section above.

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Trust over the last five years. The 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) Premium Earned</u>	<u>(2) Losses Incurred</u>	<u>(3) Expenses Incurred</u>	<u>(2)+(3)/(1) Combined Loss Ratio</u>
2006	\$ 7,428,172	\$ 6,810,258	\$ 784,041	102.2%
2007*	7,270,914	7,423,970	713,065	111.9%
2008	7,215,809	6,715,736	674,326	102.4%
2009	7,724,093	6,953,499	844,786	101.0%
2010*	13,440,990	11,833,960	1,377,154	98.3%

*Per examination

A combined loss and expense incurred to premium ratio of more than 100% indicates an underwriting loss. The Trust suffered underwriting losses in four of the five years. The 2010 amounts include the effects of the merger of Pacific Benefits Trust.

REINSURANCE

Assumed Business

None.

Ceded Business

During the period under examination, the Trust was covered by an excess medical reinsurance agreement with Gerber Life Insurance Company (NAIC #70939, authorized in Oregon on November 15, 1970) until January 31, 2010. Beginning February 1, 2010, the Trust obtained an excess loss policy with Symetra Life Insurance Company (NAIC #68608, authorized in Oregon on August 2, 1957). Under both policies, the reinsurer reimbursed the Trust for losses per member up to \$2,000,000 for each individual risk, after a retention of \$175,000. It was determined the two reinsurance agreements clearly specified the risk taken by the reinsurer, with no unusual provisions reducing the reinsurer's risk.

Insolvency Clause

The Gerber Life reinsurance agreement contained a proper insolvency clause in accordance with ORS 731.508(3) as required to take reserve credits for reinsurance ceded. However, the excess loss agreement with Symetra Life did not contain an insolvency clause, which states that in the event of the insolvency of the ceding insurer, the reinsurance shall be payable under a contract or contracts reinsured by the assuming insurer on the basis of reported claims allowed by the court hearing the liquidation proceeding, without diminution because of the insolvency of the ceding insurer. As such, the Trust should not have reported a recoverable for reinsurance at December 31, 2010. This agreement was terminated in February 2011, and replaced with an agreement with HCC Life Insurance Company, so no recommendation will be made. The HCC Life Insurance Company reinsurance agreement contained a proper insolvency clause.

Risk Retention

In view of the Trust's reported surplus of \$5,105,226 at December 31, 2010, the Trust does not maintain risk on any one subject in excess of ten percent of its surplus to policyholders, in compliance with ORS 731.504.

ACCOUNTS AND RECORDS

In general, the Trust's records and source documentation supported the amounts presented in its 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. 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 DEPOSIT

As of the date of the examination, the Trust maintained a deposit with the Oregon Insurance Division, Department of Consumer Business Services, in three US Treasury agency bonds totaling \$250,000 (par value), pursuant to the provisions of ORS 750.045(2). The deposit was verified from the records of the Insurance Division and was listed in the 2010 annual statement on Schedule E – Part 3.

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 held at First National Bank Alaska, and with the State of Washington, Office of the Insurance Commissioner, consisting of four US Treasury obligation and agency bonds totaling \$200,000 (par value).

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were two recommendations made in the 2007 report of examination. A follow up report was conducted on October 15, 2010, and the Trust was in compliance with both recommendations.

SUBSEQUENT EVENTS

On February 1, 2011, the Plan Administrator, Ross Dwinell, sold the assets of Western Benefits, Inc., to Cypress Benefit Administrators, a third-party administrator based out of Appleton, Wisconsin. The Trust consented to the transaction in exchange for a representation and promise that fees and charges under the existing Agreement will not increase during 2011. All other terms and conditions of the Administrative Services Agreement, as described in Management and Control section above, will remain the same.

FINANCIAL STATEMENTS

The following examination financial statements show the financial conditions of Western Grocers Employee Benefits Trust as of December 31, 2010:

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
STATEMENT OF ASSETS
As of December 31, 2010

<u>ASSETS</u>	<u>Balance per Trust</u>	<u>Examination Adjustments</u>	<u>Balance per Examination</u>	<u>Note</u>
Bonds	\$5,861,152	\$ -	\$5,861,152	1
Cash and short-term investments	1,761,295	-	1,761,295	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	1
Subtotal, cash and invested assets	\$7,622,447	\$ 0	\$7,622,447	
Investment income due and accrued	40,729	-	40,729	
Premiums and considerations:				
Uncollected premiums and agent's balances in the course of collection	82,498	-	82,498	
Amounts recoverable from reinsurers	107,781	-	107,781	
Aggregate write-ins for other than invested assets	<u>20,869</u>	<u>-</u>	<u>20,869</u>	
Total Assets	<u>\$7,874,324</u>	<u>\$ 0</u>	<u>\$7,874,324</u>	

WESTERN GROCERS EMPLOYEE BENEFITS TRUST
STATEMENT OF LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2010

LIABILITIES, CAPITAL AND SURPLUS	Balance per Trust	Examination Adjustments	Balance per Examination	Note
Claims unpaid	\$2,462,035	\$ 0	\$2,462,035	2
Accrued medical incentive pool and bonus arrangements	-	-	-	2
Unpaid claims adjustment expense	128,717	-	128,717	2
General expenses due or accrued	178,346	-	178,346	
Aggregate write-ins for liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Total Liabilities	\$2,769,098	\$ 0	\$2,769,098	
Common capital stock	-	-	-	
Gross paid in and contributed surplus	1,124,047	-	1,124,047	
Aggregate write-ins for other than special surplus funds	-	-	-	
Unassigned funds (surplus)	<u>3,981,179</u>	<u>-</u>	<u>3,981,179</u>	
Total capital and surplus	<u>5,105,226</u>	<u>-</u>	<u>5,105,226</u>	
Total liabilities, capital and surplus	<u>\$7,874,324</u>	<u>\$ 0</u>	<u>\$7,874,324</u>	

WESTERN GROCERS EMPLOYEE BENEFITS TRUST
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2010

	<u>Balance per Trust</u>	<u>Examination Adjustment</u>	<u>Balance per Examination</u>	<u>Note</u>
Net premium income	\$13,440,990	\$ -	\$13,440,990	
Aggregate write-ins for other non-health care related revenue	<u>-</u>	<u>-</u>	<u>-</u>	
Total Revenues	<u>13,440,990</u>	<u>-</u>	<u>13,440,990</u>	
Hospital and Medical:				
Hospital/medical benefits	9,475,435	-	9,475,435	
Other professional services	1,167,157	-	1,167,157	
Prescription drugs	<u>2,022,075</u>	<u>-</u>	<u>2,022,075</u>	
Subtotal:	12,664,667	-	12,664,667	
Less:				
Net reinsurance recoveries	<u>830,707</u>	<u>-</u>	<u>830,707</u>	
Total medical and hospital Non-health claims	11,833,960	-	11,833,960	
Claim adjustment expenses	944,471	-	944,471	
General administrative expenses	432,683	-	432,683	
Increase in reserves for life and accident and health contracts	<u>-</u>	<u>-</u>	<u>-</u>	
Total underwriting deductions	<u>13,211,114</u>	<u>-</u>	<u>13,211,114</u>	
Net underwriting gain or loss	<u>229,876</u>	<u>-</u>	<u>229,876</u>	
Net investment income earned	176,389	-	176,389	
Net realized capital gains or (losses)	<u>-</u>	<u>-</u>	<u>-</u>	
Net investment gains or (losses)	<u>176,389</u>	<u>-</u>	<u>176,389</u>	
Aggregate write-ins for other income or expenses	(5,451)	-	(5,451)	
Federal and foreign income taxes incurred	<u>-</u>	<u>-</u>	<u>-</u>	
Net Income (loss)	<u>\$ 400,814</u>	<u>\$ -</u>	<u>\$ 400,814</u>	

WESTERN GROCERS EMPLOYEE BENEFITS TRUST
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31, 2010

	2010	2009	2008
Capital and surplus, December 31, previous year	<u>\$ 3,581,705</u>	<u>\$ 3,491,077</u>	<u>\$ 3,492,754</u>
Net income	400,814	94,531	(1,688)
Net unrealized capital gains or (losses)	(6,303)	(3,036)	(1,615)
Change in net deferred income tax	-	-	-
Change in nonadmitted assets	4,963	(867)	1,626
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	1,124,047	-	-
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	-	-	-
Change in surplus as regards policyholders for the year	<u>1,523,521</u>	<u>90,628</u>	<u>(1,677)</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 5,105,226</u>	<u>\$ 3,581,705</u>	<u>\$ 3,491,077</u>

NOTES TO FINANCIAL STATEMENTS

Note 1- Investments

At December 31, 2010, the Company's investment portfolio was comprised of US Government Backed mortgage based securities and long term Certificates of Deposit with maturities greater than one year. Each of the CDs is below the FDIC limit of \$250,000 per deposit per bank. A comparison of the investments 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>Ratio</u> <u>A/</u> <u>Total Invested</u> <u>Assets</u>	<u>Ratio</u> <u>B/</u> <u>Total Invested</u> <u>Assets</u>	<u>Ratio</u> <u>C/</u> <u>Total Invested</u> <u>Assets</u>
2006	4,187,941	161,507	786,561	81.5%	3.1%	15.3%
2007*	4,257,576	30,293	287,453	93.1%	0.7%	6.3%
2008	3,892,175	251,595	466,080	84.4%	5.5%	10.1%
2009	3,764,152	742,745	423,692	76.3%	15.1%	8.6%
2010*	5,861,152	1,317,297	443,998	76.9%	17.3%	5.8%

*Per examination

Approval of investment transactions was performed by the Board of Trustees, pursuant to ORS 733.740. As of December 31, 2006, invested assets of \$6,336,142 representing 83.1% of the total invested assets were invested in amply secured obligations of the United States or FDIC insured cash deposits and certificates of deposit, and the Trust was in compliance with the capitalization amount required by ORS 733.580.

During the period under examination, the Trust's long-term assets were held in a custodial account with KeyBanc Capital Markets. This custodian was neither a bank nor a trust company as defined in ORS 706.008, and therefore the assets held would be required to be non-admitted pursuant to OAR 836-027-0200. Subsequent to the examination date, the Trust entered into a custodial agreement with KeyBank National Association. KeyBank N.A. is a qualified banking institution. No recommendation will, therefore, be made in this report. The revised 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 Company'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>My Estimate</u>	<u>Annual Statement</u>
Claims Unpaid	\$2,428,139	\$2,462,035
Accrued Medical Incentive Pool and Bonus Payments	0	0
Unpaid Claims Adjustment Expenses	97,126	128,717
Premium Deficiency Reserves	<u>0</u>	<u>0</u>
Total Actuarial Liabilities	<u>\$2,525,265</u>	<u>\$2,590,752</u>

Based on Mr. Fitzpatrick's review, he concluded that the liabilities for claims unpaid and claims adjustment expenses were sufficient and in compliance with Oregon law.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiners representing DCBS have presented the Company with a management letter containing matters not considered material for purposes of this examination. This examination report contained no recommendations or comments.

CONCLUSION

No adjustments were made as a result of this examination to the Company's total capital and surplus. During the three year period covered by this financial examination, the surplus of the Company has increased from \$3,492,754 as presented in the December 31, 2007, financial report of examination, to \$5,105,226 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	\$7,874,324	\$4,942,504	\$2,931,820
Liabilities	<u>2,769,098</u>	<u>1,449,750</u>	<u>(1,319,348)</u>
Surplus	<u>\$5,105,226</u>	<u>\$3,492,754</u>	<u>\$1,612,472</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, Mark Giffin, CFE, insurance examiner, and Mr. 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 Western Grocers Employee Benefits 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 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.

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: _____