STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

QUALIFYING FINANCIAL EXAMINATION

of

Washington State Auto Dealers Insurance Trust
Bellevue, Washington
July 31, 2005

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Qualifying Examination of Washington State Auto Dealers Insurance Trust of Bellevue, Washington. This report shows the financial condition and related corporate matters as of July 31, 2005.

Patrick H. McNaughton

PATRICK H. MCNAUGHTON
Chief Examiner

June 6, 2006
Date

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Seattle, Washington
June 6, 2006

The Honorable Mike Kreidler, Commissioner
Washington State Office of Insurance Commissioner (OIC)
Insurance Building – Capitol Campus
302-14th Avenue SW
Olympia, WA 98504

Dear Commissioner Kreidler:

In accordance with your instructions and in compliance with the statutory requirements of RCW 48.03.010, a qualifying examination has been made of the corporate records and financial condition of

WASHINGTON STATE AUTO DEALERS INSURANCE TRUST

of

Bellevue, Washington

hereinafter referred to as "the Trust." This report of examination is respectfully submitted showing the condition of the Trust as of July 31, 2005.

SCOPE OF EXAMINATION

This examination included verification of the Trust's assets and liabilities as of July 31, 2005. The minimum surplus and cash deposits were tested for compliance with RCW 48.125.040(1)(b) and RCW 48.125.060. In addition, the examination included verification of compliance with the statutory requirements of RCW 48.125.030, .040, and .050 regarding the Trust's application and qualification for a Certificate of Authority to be a self-funded multiple employer welfare arrangement (MEWA) incorporated in the state of Washington.

Washington State Auto Dealers Insurance Trust

HISTORY

The Trust was formed by the Washington State Auto Dealers Association (WSADA) on October 22, 1948. The Trust is a multiple employer welfare association organized for the purpose of providing a variety of employee benefit programs in the areas of medical, dental, and vision insurance, as well as life and disability insurance, to the members of the WSADA. The Trust contracts with various insurance carriers in order to provide an array of plans to meet the needs of its members across the entire state.

The Trust is recognized as an exempt organization under Section 501(c)(9) of the Internal Revenue Code. Accordingly, the Trust's income is exempt from income taxes.

Currently, about 86 member companies representing 2,878 employees are covered by the Trust's employee benefit programs. The member companies are all operating in the state of Washington.

On March 31, 2005, the Trust submitted to the OIC its application for a Certificate of Authority as a self-funded MEWA.

MANAGEMENT AND CONTROL

Board of Trustees (BOT)

In accordance with the provisions of its Trust Agreement, the BOT, appointed by the WSADA, consists of eight member dealers. The BOT administers the Trust Agreement and the plan for the benefit of the participants and their beneficiaries. As of August 31, 2005, there were seven active trustees and one vacancy.

Name	Affiliation
Travis Burney	Countryside Chevrolet
Steve Baldock	Cascade Auto Center
Allen Faltus	University Auto Center
Gary Gilchrist	Gilchrist Buick
Steve Hahn	Performance VW/Audi
Wendy Popke	Lynnwood Honda
Mark Westlund	Westlund Buick

Officers: The officers of the Trust are the chairman and the vice-chairman.

Name	Title
Gary Gilchrist	Chairman
Wendy Popke	Vice Chairman

AFFILIATED COMPANIES

The Trust was created by WSADA in 1948. Although the Trust is an organization independent of WSADA, WSADA membership is required to participate in the Trust programs.

SURPLUS

As of July 31, 2005, the Trust's surplus (total fund balance) equaled $5,524,425 which was greater than the statutory surplus of $2,000,000 required by RCW 48.125.060.

STATUTORY DEPOSIT

On April 8, 2005, the Trust deposited $200,000 with Cascade Bank under a tri-party depository agreement between the Trust, Cascade Bank, and the Washington State Office of the Insurance Commissioner. The depository agreement was executed as required under RCW 48.125.040(1)(b)(i)(A).

RECOMMENDATION

Based on the findings and conclusions of the examiners, the Trust has sufficient surplus and meets the statutory deposit requirements to qualify for a Certificate of Authority as a Self-Funded Multiple Employer Welfare Arrangement to provide health care services in the state of Washington.

FINANCIAL STATEMENTS

The following examination financial statements show the financial condition of the Trust as of July 31, 2005:

Statement of Assets, Liabilities and Surplus
As of July 31, 2005

	Balance Per Company	Examination Adjustments	Balance Per Examination
ASSETS			
Cash	$1,586,428		$1,586,428
Investments	5,254,323		5,254,323
Deposits and other Assets	335,371		335,371
Total assets	**$7,176,122**	**$0**	**$7,176,122**
LIABILITIES			
Accounts payable	$48,697		$48,697
Contingent reserves	1,603,000		1,603,000
Total Liabilities	1,651,697	0	1,651,697
SURPLUS			
Trust balance	5,524,425		5,524,425
Total liabilities and surplus	**$7,176,122**	**$0**	**$7,176,122**

Washington State Auto Dealers Insurance Trust

Statement of Operations
As of July 31, 2005

	Balance Per Company	Examination Adjustments	Balance Per Examination
Insurance revenues	$8,732,182		$8,732,182
Realized financial income	82,030		82,030
Unrealized financial gain (loss)	99,248		99,248
Total revenues	$8,913,460	$0	$8,913,460
Insurance expenses	(7,954,535)		(7,954,535)
Operating expenses	(382,108)		(382,108)
Total expenses	(8,336,643)	0	(8,336,643)
Net income	**$576,817**	**$0**	**$576,817**

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of the Trust during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; and John Gaynard, CPA, CFE, FLMI, Life and Disability Field Supervising Examiner, from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Respectfully submitted,

Orlando R. Gabriel, AFE
Examiner-in-Charge
State of Washington

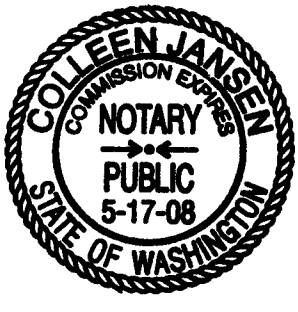
Washington State Auto Dealers Insurance Trust

AFFIDAVIT

STATE OF WASHINGTON }
} ss
COUNTY OF KING }

Orlando R. Gabriel, AFE, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

Orlando R. Gabriel, AFE
Examiner-in-Charge
State of Washington

Subscribed and sworn to before me this 6th day of June, 2006.

Notary Public in and for the
State of Washington.