

Examination Warrant Number 16-1324-14485-R1

**Report of Examination of**

**UPMC Work Alliance, Inc.  
Pittsburgh, Pennsylvania**

**As of December 31, 2016**

**For Informational Purposes Only**

**TABLE OF CONTENTS**

<b>Subject</b>	<b>Page</b>
Salutation .....	1
Scope of Examination .....	1
History .....	2
Management and Control:	
Capitalization .....	2
Stockholder .....	3
Insurance Holding Company System.....	3
Board of Directors.....	5
Committees .....	5
Officers .....	5
Corporate Records:	
Minutes .....	6
Articles of Incorporation.....	6
By-Laws.....	6
Service and Operating Agreements .....	6
Reinsurance:	
Ceded .....	7
Assumed.....	8
Territory and Plan of Operation.....	9
Significant Operating Trends.....	9
Pending Litigation.....	10
Financial Statements:	
Comparative Statement of Assets, Liabilities, Surplus and Other Funds.....	11
Comparative Statement of Income.....	12
Comparative Statement of Capital and Surplus.....	13
Comparative Statement of Cash Flow .....	14
Summary of Examination Changes .....	15
Notes to Financial Statements:	
Assets:	
Investments .....	15
Liabilities:	
Loss and Loss Adjustment Expense Reserves .....	15
Subsequent Events .....	16
Recommendations:	
Prior Examination .....	16
Current Examination.....	16
Conclusion .....	17

Harrisburg, Pennsylvania  
April 19, 2018

Honorable Joseph DiMemmo, CPA  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 16-1324-14485-R1, dated August 4, 2016, an examination was made of

**UPMC Work Alliance, Inc., NAIC Code: 14485**

a Pennsylvania domiciled, single-state, stock casualty insurance company, hereinafter referred to as the "Company." The examination was conducted at the Company's home office, located at 600 Grant Street, Pittsburgh, Pennsylvania 15219.

A report of this examination is hereby respectfully submitted.

**SCOPE OF EXAMINATION**

The Pennsylvania Insurance Department ("Department") has performed an examination of the Company, which was last examined as of December 11, 2012. The prior examination was an organizational examination to determine compliance with 15 P.S. § 21207. This examination covered the period from December 12, 2012 through December 31, 2016.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook* ("Handbook").

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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.

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 Company's financial statements.

This examination report includes significant findings of fact, in accordance with 40 P.S. § 323.5(a), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective

conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

For each year during the period under examination, the certified public accounting firm of Ernst & Young, LLP (“CPA”) has provided an unmodified audit opinion on the Company’s year-end financial statements based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The following Pennsylvania domestic affiliated insurance companies from the University of Pittsburgh Medical Center (“UPMC”) Group were examined at the same time with this examination:

<u>Company</u>	<u>NAIC Code</u>
UPMC Health Network, Inc.	11994
UPMC For You, Inc.	11995
UPMC Health Options, Inc.	15345
UPMC Health Coverage, Inc.	15451
Community Care Behavioral Health Organization	47024
UPMC Health Plan, Inc.	95216
UPMC Health Benefits, Inc.	11018
Tri-Century Insurance Company	17990

## HISTORY

The Company was incorporated on July 11, 2011, as a for-profit business stock corporation, licensed by the Department on April 30, 2013, and commenced business on April 30, 2013.

The Company is currently authorized to transact those classes of insurance described in 40 P.S. § 382(c)(14) Workers’ Compensation.

## MANAGEMENT AND CONTROL

### CAPITALIZATION

As of the examination date, December 31, 2016, the Company’s total capital and surplus was \$1,929,210, consisting of seven hundred fifty thousand (750,000) shares of issued and outstanding common capital stock with a par value of one dollars (\$1.00) per share amounting to \$750,000; \$1,450,000 in paid in and contributed surplus; \$1,000,000 in surplus notes (owed to UPMC Holding Company, Inc.) and (\$1,270,790) in unassigned funds (surplus).

The Company’s minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, is \$750,000 in capital and \$375,000 in surplus. The Company has met all governing requirements throughout the examination period.

## STOCKHOLDER

As of December 31, 2016, UPMC Coverage Products, Inc. owns 100% of all seven hundred fifty thousand (750,000) shares of the Company's issued and outstanding common capital stock. No dividends were paid to shareholders during the period covered by this examination.

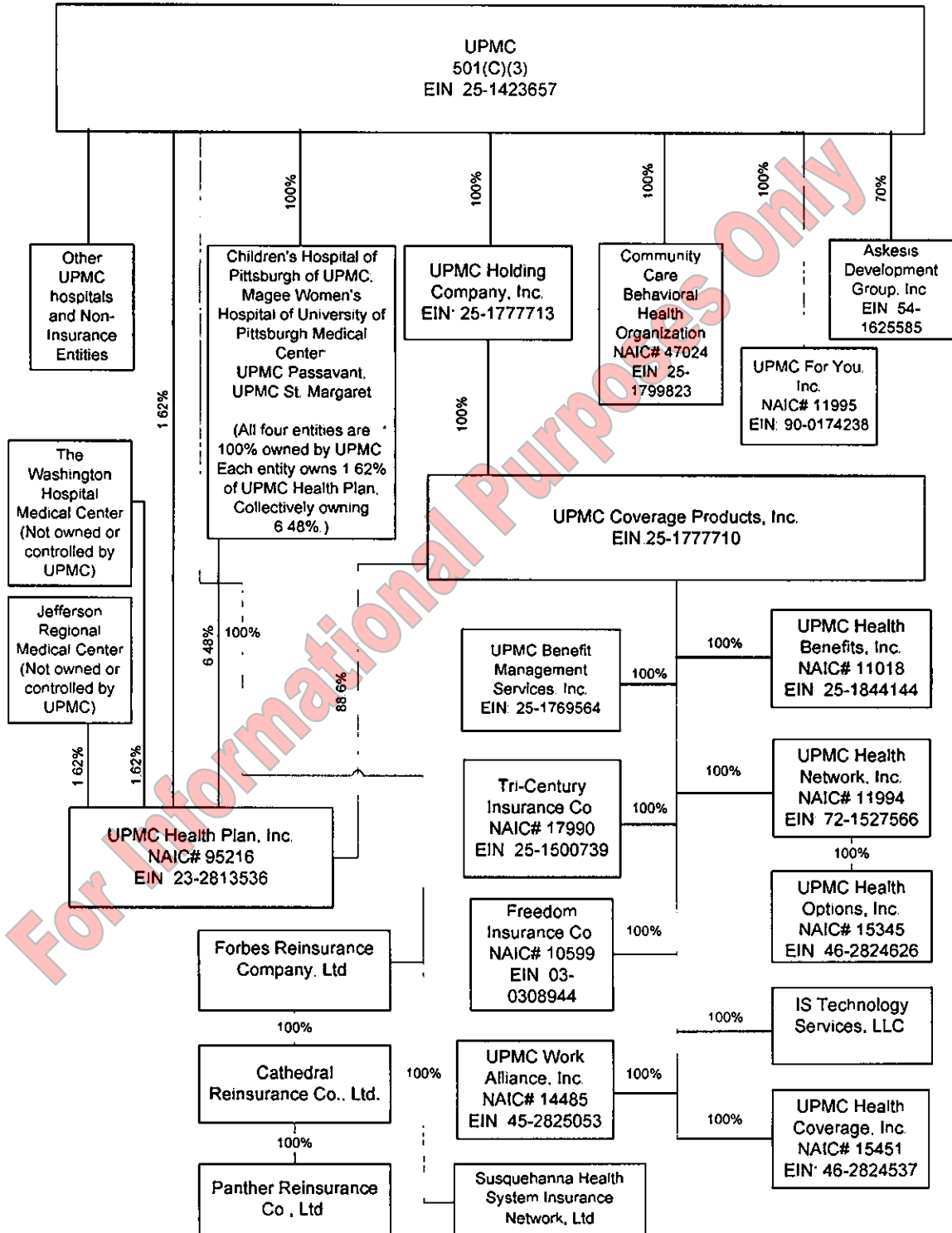
## INSURANCE HOLDING COMPANY SYSTEM

The Company meets the requirements for filing an insurance holding company system annual registration statement ("Annual Registration Statement"), in compliance with 40 P.S. § 991.1404. The Company has filed the Annual Registration Statement and various amendments for all years of the examination period.

UPMC, a 501(c)(3) non-profit corporation, is named as the ultimate controlling person in the system. The following abridged organizational chart depicts the Company's relationship within the UPMC holding company system at December 31, 2016:

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### UPMC & Subsidiaries Organizational Structure



**BOARD OF DIRECTORS**

Management of the Company is vested in its Board of Directors (“Board”), which was comprised of the following members as of the examination date, December 31, 2016:

<b>Name and Address</b>	<b>Principal Occupation</b>
David Joseph Goncar Gibsonia, Pennsylvania	Senior Vice President Marsh USA Inc.
Diane Patricia Holder Pittsburgh, Pennsylvania	Chief Executive Officer UPMC Health Plan
Sheryl Kashuba, Esq. Glenshaw, Pennsylvania	Secretary UPMC Health Plan
Yvonne Marie Keafer Pittsburgh, Pennsylvania	Director of Risk Management University of Pittsburgh
Scott Miller Lammie Mars, Pennsylvania	Treasurer UPMC Health Plan
Joseph Dominic Talarico McMurray, Pennsylvania	Attorney/Owner Talarico Paladino and Berg
David Michael Weir West Homestead, Pennsylvania	President UPMC Health Plan/UPMC WorkPartners

The Company’s By-Laws provide that the Board shall consist of at least seven (7) members. At least one-third of the Board of Directors shall be Outside Directors. At least two-thirds (2/3) of the directors shall be citizens of the United States. One director shall also serve as the president of the Company. A full Board of Directors shall be elected at each annual meeting of the shareholders and shall serve until their successors have been duly appointed and qualified or until a director’s earlier death, resignation, or removal.

The Company has a conflict of interest policy and requires all employees and directors to complete a conflict of interest questionnaire on an annual basis.

**COMMITTEES**

As of the examination date, December 31, 2016, the Company’s Board also functions as the Audit and Compensation Committee.

**OFFICERS**

As of the examination date, December 31, 2016, the following officers were appointed and serving in accordance with the Company’s By-Laws:

<b>Name</b>	<b>Title</b>
Diane Patricia Holder	President
Sheryl Kashuba, Esq.	Secretary
Gordon Gebbens	Chief Financial Officer
Scott Miller Lammie	Treasurer

## CORPORATE RECORDS

### MINUTES

A compliance review of the corporate minutes revealed the following:

- All Board meetings held during the period under examination were held in compliance with the Company's By-Laws, and quorums were established at all such meetings.
- The stockholders elect the Company's Directors at the annual meeting of the stockholders in compliance with the By-Laws.
- The Company's officers were appointed by the Board in compliance with the By-Laws.
- The Company's investment transactions and policy are approved by the Board or a committee thereof.
- The Company's Board meeting minutes approve the reinsurance contracts.

### ARTICLES OF INCORPORATION

There were no changes or amendments made to the Articles of Incorporation during the examination period.

### BY-LAWS

There were no changes or amendments made to the Company's By-Laws during the examination period.

## SERVICE AND OPERATING AGREEMENTS

The Company is party to various service and operating agreements, including several external and intercompany agreements. The following significant agreements were in place during the examination period:

### Administrative Services Agreement

The Company entered into an Administrative Services Agreement ("Agreement") with UPMC Health Plan, Inc. ("Health Plan"), effective August 1, 2013. Under the agreement Health Plan provides services for the administration and management of the Company's business. Specifically, Health Plan has agreed to provide the following services: Sales and Marketing; Enrollment and Eligibility; Member Services; Accounting; Finance; Claims Adjudication and Payment; Information Systems; Network Development and Administration; Provider Credentialing and Recredentialing; Quality Improvement; Utilization Management Services; Development Services; Pharmacy Benefits Management Services; and Executive Management and Administration Services. The Company reimburses Health Plan the actual cost of expenses that are directly attributable to the Company. For those costs that are attributable to all health



plans for which Health Plan provides administration and management services, the Company pays its respective portion based upon its revenues.

**Tax Allocation Agreement**

The Company participates in a consolidated federal income tax allocation agreement (“Agreement”) with some of its affiliated companies, originally dated November 1, 2000 and effective as of July 1, 1999. The Agreement was amended on July 1, 2011 and July 1, 2013. The Agreement calls for the Company to file its federal income tax return as part of a consolidated return filed by UPMC Holding Company, Inc. and its subsidiaries. The Agreement between the companies provides for the allocation of income tax or income tax benefits based upon each company’s share of consolidated net income or loss.

**REINSURANCE**

**CEDED**

The Company and UPMC Health Benefits Inc. (“Health Benefits”) have a joint first through fourth layers workers’ compensation excess of loss reinsurance contract with various reinsurers, effective July 1, 2016. The term of the contract is for one (1) year, with the Company having the option to renew after the initial term. The following represents a summary of the reinsurers and the Company’s retention and the reinsurance limits:

**First Layer**

Reinsurer		Participation
Maiden Reinsurance North America, Inc.		100%
Company’s Retention	Reinsurance Limits	Type of business Covered
\$500,000	\$1,000,000	Workers’ Compensation

**Second Layer**

Reinsurer		Participation
Safety National Casualty Corporation		100%
Company’s Retention	Reinsurance Limits	Type of business Covered
\$1,000,000	\$10,000,000	Workers’ Compensation

**Third Layer**

Reinsurers		Participations
Markel Global Reinsurance Corporation		50%
Safety National Casualty Corporation		50%
<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Type of business Covered</u>
\$10,000,000	\$20,000,000	Workers' Compensation

**Fourth Layer**

Reinsurers		Participations
Markel Global Reinsurance Corporation		25%
Arch Reinsurance Company		25%
BGS Services (Bermuda) Limited		
For and on behalf of Lloyd's Syndicate No. 2987		35%
Through Aon UK Limited trading as Aon Benfield		
Lloyd's Underwriters Per Signing Page(s)		15%
<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Type of business Covered</u>
\$20,000,000	\$40,000,000	Workers' Compensation

The Company's reinsurance intermediary, Aon Benfield Inc. is licensed by the Department as required by 40 P.S. § 321.2(a). The Company operates this program pursuant to a properly executed written authorization between the Company and the reinsurer as required by 40 P.S. § 321.3.

On October 1, 2016, the Company entered into a 100% Quota Share Reinsurance Agreement ("Agreement") with an affiliate, Health Benefits whereby Health Benefits assumes all of the Company's net liability under policies, contracts, and binder of workers' compensation insurance policies, both in force and new policies after the effective date including renewals. The agreement shall commence on the effective date and continue in force until terminated by both party. The Agreement was approved by the Department on September 7, 2016.

All of the Company's reinsurance contracts meet the transfer of risk test. All contracts contained the appropriate insolvency and arbitration clauses.

**ASSUMED**

The Company assumed no business during the period covered under this examination.

## TERRITORY AND PLAN OF OPERATION

The Company is a for-profit stock casualty insurance company licensed by the Department to offer insured workers' compensation products. During the examination period, the Company was licensed and writing business in Pennsylvania only. The Company received a license to operate in the state of Delaware March 2017. However, the Company did not appropriately note its change in licensure status in either the General Interrogatories nor Schedule T of the December 31, 2017 Annual Statement filed with the Department.

*It is recommended that the Company appropriately disclose state licensure changes pursuant to the NAIC Annual Statement Instructions requirements.*

The following chart summarizes the Company's direct and assumed, ceded and net written premiums for the year 2016:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
Workers' compensation	\$ 2,855,821	\$ 2,239,162	\$ 616,659	100.0%
Totals	\$ 2,855,821	\$ 2,239,162	\$ 616,659	100.0%

As of December 31, 2016, the Company did not have direct premiums written/produced by managing general agents or third-party administrators.

## SIGNIFICANT OPERATING TRENDS

The underwriting ratios summarized below are shown on an earned/incurred basis, and encompass the four-year period covered by this examination.

	Amount	Percentage
Premiums earned	\$ 4,965,356	100.0 %
Losses incurred	\$ 4,972,355	100.1 %
Loss expenses incurred	506,341	10.2 %
Other underwriting expenses incurred	1,135,659	22.9 %
Net underwriting gain or (loss)	(1,648,999)	(33.2)%
Totals	\$ 4,965,356	100.0 %

The Company reported the following net underwriting, investment, and other gains or losses during the period under examination:

	2016	2015	2014	2013
Admitted assets	\$ 5,003,765	\$ 4,942,146	\$ 2,741,373	\$ 1,742,610
Liabilities	\$ 3,074,556	\$ 3,526,147	\$ 1,678,726	\$ 592,329
Surplus as regards policyholders	\$ 1,929,210	\$ 1,415,999	\$ 1,062,647	\$ 1,150,282
Gross premium written	\$ 2,855,821	\$ 2,531,541	\$ 1,584,259	\$ 540,461
Net premium written	\$ 616,659	\$ 2,331,295	\$ 1,476,942	\$ 540,461
Underwriting gain/(loss)	\$ (774,546)	\$ (741,331)	\$ (57,789)	\$ (75,332)
Investment gain/(loss)	\$ 0	\$ (7,699)	\$ 0	\$ 0
Other gain/(loss)	\$ 1,290	\$ 1,543	\$ 29	\$ 0
Net Income	\$ (486,789)	\$ (676,087)	\$ (58,197)	\$ (49,718)

## PENDING LITIGATION

The Company and certain of the UPMC insurance companies are subject to litigation and arbitration arising in the normal course of business. A review of the legal representation letters from the Company's legal counsel, and outside attorneys, explaining all current litigation to which the Company is a party indicated that the Company is not a party to any material litigation or arbitration, and none of which will, in the opinion of management that the ultimate liability, if any, associated with the outcome of these matters have a material adverse effect on the Company's financial condition.

## FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2016, and the results of its operations for the period under examination, are reflected in the following statements\*:

Comparative Statement of Assets, Liabilities, Surplus and Other Funds;  
Comparative Statement of Income;  
Comparative Statement of Capital and Surplus; and  
Comparative Statement of Cash Flow

\*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding errors.

### Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

	2016	2015	2014	2013
Bonds	\$ 0	\$ 0	\$ 0	\$ 0
Cash, cash equivalents, and short term investments	3,420,309	2,809,190	1,816,156	1,200,000
Subtotals, cash and invested assets	<u>3,420,309</u>	<u>2,809,190</u>	<u>1,816,156</u>	<u>1,200,000</u>
Premiums and agents' balances due	73,120	849,101	673,414	542,610
Receivable from parent, subsidiaries and affiliates	1,510,336	1,283,855	251,513	0
Aggregate write-ins for other than invested assets	0	0	289	0
Total	<u>\$ 5,003,765</u>	<u>\$ 4,942,146</u>	<u>\$ 2,741,373</u>	<u>\$ 1,742,610</u>
Losses	\$ 2,383,203	\$ 2,056,022	\$ 732,353	\$ 40,000
Loss adjustment expenses	117,754	274,770	77,042	7,017
Commissions payable, contingent commissions and other similar charges	227,207	84,416	0	0
Taxes, licenses and fees	27,147	19,109	31,685	10,809
Unearned premiums	0	1,019,911	809,201	477,772
Amounts withheld or retained by company for account of others	0	63,804	28,445	2,149
Remittances and items not allocated	252,862	8,115	0	0
Payable to parent, subsidiaries and affiliates	0	0	0	54,581
Aggregate write-ins for liabilities	66,383	0	0	0
Total liabilities	<u>3,074,556</u>	<u>3,528,147</u>	<u>1,678,726</u>	<u>592,329</u>
Common capital stock	750,000	750,000	750,000	750,000
Surplus notes	1,000,000	1,000,000	0	0
Gross paid in and contributed surplus	1,450,000	450,000	450,000	450,000
Unassigned funds (surplus)	<u>(1,270,790)</u>	<u>(784,001)</u>	<u>(137,353)</u>	<u>(49,719)</u>
Surplus as regards policyholders	1,929,210	1,415,999	1,062,647	1,150,282
Totals	<u>\$ 5,003,765</u>	<u>\$ 4,942,146</u>	<u>\$ 2,741,373</u>	<u>\$ 1,742,610</u>

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**Comparative Statement of Income  
For the Year Ended December 31,**

	2018	2016	2014	2013
<b>Underwriting Income</b>				
Premiums earned	\$ 1,636,569	\$ 2,120,585	\$ 1,145,513	\$ 62,689
Deductions				
Losses incurred	1,721,316	2,250,941	960,098	40,000
Loss expenses incurred	342,989	57,625	21,339	84,388
Other underwriting expenses incurred	346,810	553,350	221,868	13,633
Total underwriting deductions	<u>2,411,115</u>	<u>2,861,916</u>	<u>1,203,302</u>	<u>138,021</u>
Net underwriting gain or (loss)	<u>(774,546)</u>	<u>(741,331)</u>	<u>(57,789)</u>	<u>(75,332)</u>
<b>Investment Income</b>				
Net investment income earned	0	(7,699)	0	0
Net investment gain or (loss)	<u>0</u>	<u>(7,699)</u>	<u>0</u>	<u>0</u>
<b>Other Income</b>				
Aggregate write-ins for miscellaneous income	1,290	1,543	29	0
Total other income	<u>1,290</u>	<u>1,543</u>	<u>29</u>	<u>0</u>
Net income before dividends to policyholders and before federal and foreign income taxes	(773,256)	(747,487)	(57,760)	(75,332)
Federal and foreign income taxes incurred	<u>(286,467)</u>	<u>(71,400)</u>	437	<u>(25,614)</u>
Net income	<u>\$ (486,789)</u>	<u>\$ (676,087)</u>	<u>\$ (58,197)</u>	<u>\$ (49,718)</u>

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**Comparative Statement of Capital and Surplus  
' For the Year Ended December 31,**

	2016	2015	2014	2013
Surplus as regards policyholders				
December 31 previous year	\$ 1,415,999	\$ 1,062,647	\$ 1,150,282	\$ 0
Net income	(486,789)	(676,087)	(58,197)	(49,718)
Change in nonadmitted assets	0	29,438	(29,438)	0
Change in surplus notes	0	1,000,000	0	0
Capital changes				
Paid in	0	0	0	750,000
Surplus adjustments				
Paid in	1,000,000	0	0	450,000
Change in surplus as regards policyholder for the year	<u>513,211</u>	<u>353,352</u>	<u>(87,634)</u>	<u>1,150,282</u>
Surplus as regards policyholders				
December 31, current year	<u>\$ 1,929,210</u>	<u>\$ 1,415,999</u>	<u>\$ 1,062,647</u>	<u>\$ 1,150,282</u>

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### Comparative Statement of Cash Flow For the Year Ended December 31,

	2016	2015	2014	2013
<b>Cash from Operations</b>				
Premiums collected net of reinsurance	\$ 1,392,640	\$ 2,155,608	\$ 1,346,138	\$ (2,149)
Net investment income	0	(7,699)	0	0
Miscellaneous income	1,290	1,543	29	0
<b>Total income</b>	<b>1,393,930</b>	<b>2,149,452</b>	<b>1,346,167</b>	<b>(2,149)</b>
Benefit and loss related payments	1,394,135	927,272	267,745	0
Commissions, expenses paid and aggregate write-ins for deductions	695,987	341,406	152,304	80,196
Federal and foreign income taxes paid (recovered)	(92,367)	(71,400)	437	(25,614)
<b>Total deductions</b>	<b>1,997,756</b>	<b>1,197,278</b>	<b>420,486</b>	<b>54,582</b>
<b>Net cash from operations</b>	<b>(603,825)</b>	<b>952,175</b>	<b>925,681</b>	<b>(56,731)</b>
<b>Cash from Financing and Miscellaneous Services</b>				
Other cash provided (applied):				
Surplus notes, capital notes	0	1,000,000	0	0
Capital and paid in surplus, less treasury stock	1,000,000	0	0	1,200,000
Other cash provided or (applied)	214,945	(959,141)	(309,526)	68,731
<b>Net cash from financing and miscellaneous sources</b>	<b>1,214,945</b>	<b>40,859</b>	<b>(309,526)</b>	<b>1,258,731</b>
<b>Reconciliation of cash and short-term investments:</b>				
Net change in cash and short-term investments	611,119	993,034	616,156	1,200,000
Cash and short-term investments:				
Beginning of the year	2,809,190	1,816,156	1,200,000	0
End of the year	<b>\$ 3,420,309</b>	<b>\$ 2,809,190</b>	<b>\$ 1,816,156</b>	<b>\$ 1,200,000</b>

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## SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

## NOTES TO FINANCIAL STATEMENTS

### ASSETS

#### INVESTMENTS

As of December 31, 2016, the Company's invested assets were distributed entirely in cash, with no invested assets:

	Amount	Percentage
Cash	3,420,309	100.0 %
Totals	<u>\$ 3,420,309</u>	<u>100.0 %</u>

The Company has a written investment policy as required by 40 P.S. § 653b(b). The investment policy is reviewed and approved on an annual basis by the Board.

The Company has a non-discretionary custodial agreement with The Bank of New York Mellon, N.A. The examiners reviewed the Custodial Agreement and found it to be compliant with 31 Pa. Code § 148a.3.

### LIABILITIES

#### LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company reported net reserves of \$2,383,203 for losses and \$117,754 for loss adjustment expenses ("LAE") on its December 31, 2016 Annual Statement.

Charles C. Emma, FCAS, MAAA, a Managing Principal with EVP Advisors, Inc., has served as the Company's appointed actuary for all years in the examination period. Mr. Emma concluded that the December 31, 2016 reserves make a reasonable provision for the Company.

Ernst & Young, LLP, the Company's independent auditor, performed separate, independent actuarial analyses of reserves as of December 31, 2016. Their analyses concluded that reserves were within acceptable ranges and, therefore, were fairly stated.

In conjunction with the examination, the Department utilized the actuarial services of Lewis & Ellis, Inc., who subcontracted through Cerebres, LLC, to assist in the review of reserving and pricing key activities of the Company.

Based upon procedures performed and the results obtained, the examination staff obtained sufficient evidence to support the conclusion that the Company's loss and LAE reserves are reasonably stated as of December 31, 2016.

## **SUBSEQUENT EVENTS**

On March 9, 2017, the Insurance Department of Delaware approved the Company's application for a Certificate of Authority to operate as a stock casualty workers compensation and employee liability company in the state of Delaware.

The Company amended its By-Laws effective June 5, 2017, by amending Article V-Committees of the Board, Section 5.1, Section 5.2 and Section 5.3, to add a Finance, Audit & Compliance Committee and an Outside Director Committee, and to remove the Executive Committee and Audit and Compensation Committee.

## **RECOMMENDATIONS**

### **PRIOR EXAMINATION**

There were no recommendations made as a result of prior examination.

### **CURRENT EXAMINATION**

The following recommendation is being made as a result of this examination.

1. It is recommended that the Company appropriately disclose state licensure changes pursuant to the NAIC Annual Statement Instructions requirements. (See "Territory and Plan of Operation" – page 9).

**CONCLUSION**

As a result of this examination, the financial condition of UPMC Work Alliance, Inc., as of December 31, 2016, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 5,003,765	100.0 %
Liabilities	\$ 3,074,555	61.4 %
Surplus as regards policyholders	1,929,210	38.6 %
Total liabilities and surplus	\$ 5,003,765	100.0 %

Since the previous examination, made as of December 11, 2012, the Company's assets increased by \$3,261,155, its liabilities increased by \$2,482,227, and its surplus increased by \$778,928.

This examination was conducted by examination staff from Cerebres, LLC, actuaries from Lewis & Ellis, Inc., Cornelius McConville, Ellamarie Durant, George Horey, CFE, Robert Smith, CFE and David Jia, CFE, with the latter in charge.

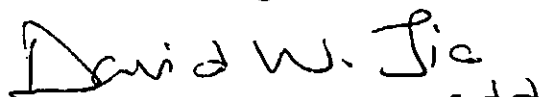
Respectfully,



Melissa L. Greiner  
Director  
Bureau of Financial Examinations



Philip M. Judge, CFE  
Examination Manager



David W. Jia, CFE  
Examiner-in-Charge