MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of	)	No. G04-54
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
WESTERN PROFESSIONAL	)	
INSURANCE COMPANY	)	AND ORDER ADOPTING REPORT
	)	OF
		FINANCIAL EXAMINATION
A Domestic Insurer.		

BACKGROUND

An examination of the financial condition of **WESTERN PROFESSIONAL INSURANCE COMPANY** (the Company) as of December 31, 2001, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on April 23, 2004. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 2 through 15 of the report.

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CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **WESTERN PROFESSIONAL INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Recommendations prior to the date of this order. The Instructions and Recommendations in the report are an appropriate response to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 2-3.

1. The Company is ordered to comply with WAC 284-07-050(2) which requires adherence to the appropriate NAIC Annual Statement Instructions and the NAIC Accounting Practices and Procedures Manual (AAPM) for the completion of the annual statement. Instruction 1, Examination Report, page 2.

2. The Company is ordered to comply with RCW 48.05.250 which requires the Company to file with the Insurance Commissioner a true annual statement of its financial condition, transactions, and affairs. Instruction 2, Examination Report, page 2.

3. The Company is ordered to comply with the terms of its bylaws and RCW 23B.08.010 and RCW 23B.080.250 of the Business Corporation Act and designate appropriate committees of the Board of Directors (BOD) by resolution and appoint members to those committees consisting of at least one member of the BOD. Actions and recommendations of the committees of the board should also be ratified and noted in the BOD meeting minutes. Instruction 3, Examination Report, page 3.

4. The Company is ordered to consider that the Board of Directors (BOD) include an acknowledgement in its meeting minutes that the conflict of interest statements have been completed by all appropriate persons and potential conflicts of interest are reported to the BOD. Comments and Recommendations 1, Examination Report, page 3.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Tumwater, Washington, this 9th day of June, 2004.

MIKE KREIDLER
Insurance Commissioner

From: Gary Morse [gary@phyins.com]
Sent: Friday, April 30, 2004 10:37 AM
To: Jim Odiorne
Cc: Tom Myers; Rich Brown
Subject: Examination Reports of Physicians Insurance A Mutual Company and subsidiaries

Jim,

I have been asked to provide you with our review of the factual material presented in the Examination Reports for Physicians Insurance A Mutual Company (PI), Northwest Dentists Insurance Company (NORDIC), and Western Professional Insurance Company (WPIC). We are very pleased with these reports and will comply with all instructions and recommendations. We believe the following matters will improve the factual accuracy of the reports.

1. Page 19 of the PI report mentions $21.6 million of stock investments. This number includes the value of our holdings in our wholly owned subsidiaries, NORDIC, WPIC, and AIS. While the report mentions that about 20% of our stock investments is in "industrial stocks", we think it would be helpful to specify that the approximate value of common stock investments other than in subsidiaries is $4.33 million, representing about 1.72 % of total assets.

2. On page 9 of the WPIC report and page 11 of the NORDIC report, the subsequent events sections are inapplicable to those companies except for the retirements and, for WPIC only, the moratorium. There was no moratorium in NORDIC, and all of the adverse development was in PI. As for retirements, one subsequent event overlooked in the WPIC report was the retirement of Patricia Berger, Vice President/Litigation Management (which is mentioned in the PI report).

3. On page 7 for WPIC and 8 for NORDIC, these companies have no property and therefore are not named insureds on the Commercial Property, Electronic Data Processing, and Commercial Automobile policies.

4. On page 10 for NORDIC, the first excess reinsurance retention is $500,000 making the reinsurance limit $2,500,000. NORDIC has no Legal Expense Reimbursement Quota Share because it does not offer the coverage, and NORDIC does not have D&O Quota Share for clinics for the same reason.

5. WPIC page 4. Dr. Skubi's first name should be spelled "Kazimer".

6. WPIC page 8, under Actuarial Review, the report states that "the company cedes all of its losses...to PI." This is not exactly true as WPIC maintains facultative reinsurance contracts with other companies for limits above $5 Million.

7. In the NORDIC and PI reports, Instruction 3 misspells Ballantyne as Ballantyn.

8. Sometimes the reports spell Tom Myers name as Tom Meyers. The correct spelling is Myers.

I hope this information is helpful.

Gary Morse
Physicians Insurance A Mutual Company
(206) 343-6532 (direct line)

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