MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of	)	No. G06-18
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
WASHINGTON CASUALTY COMPANY	)	AND ORDER ADOPTING REPORT
IN REHABILITATION	)	OF
	)	FINANCIAL EXAMINATION
A Domestic Insurer.		

BACKGROUND

An examination of the financial condition of **WASHINGTON CASUALTY COMPANY IN REHABILITATION** (the Company) as of December 31, 2004, 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 and comments and recommendations was transmitted to the Company for its comments on March 17, 2006. 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 1 through 13 of the report.

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Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **WASHINGTON CASUALTY COMPANY IN REHABILITATION** and to order the Company to take the actions described in the Comments and Recommendations section of the report. The Commissioner acknowledges that the Company may have implemented the Comments and Recommendations prior to the date of this order. The Comments 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 Comments and Recommendations contained in the examination report on pages 1-3.

1. It is ordered that the Deputy Receiver perform the control function of authorizing or approving investment transactions as required by RCW 48.13.340. It is also ordered that the Company maintain a permanent written record of these authorizations, signed by the Deputy Receiver as required by RCW 48.13.350 (1). Comments and Recommendations 1, Examination Report, page 1.

2. It is ordered that the Company consider establishing stronger controls over all issuances of checks. Comments and Recommendations 2, Examination Report, page 2.

3. It is ordered that the Company consider recording all liabilities, as required by SSAP No. 5, paragraph 4. It is also ordered that it file an accurate NAIC Annual Statement of its financial condition, transactions, and affairs and accrue for all loss reserves on a timely basis in accordance with RCW 48.05.250. WCC must also properly account for all transactions in the appropriate year, in accordance with established and accepted accounting principles. Comments and Recommendations 3, Examination Report, page 2.

4. It is ordered that the Company comply with all SSAP's and with WAC 284-07-050(2) which require adherence to the appropriate NAIC Annual Statement Instructions and the SSAP. It is further ordered that WCC comply with RCW 48.05.250 by filing with the insurance commissioner an accurate NAIC Annual Statement of its financial condition, transactions, and affairs. Comments and Recommendations 4, Examination Report, page 3.

5. Since it is possible that other policy forms contain language which affords unintended coverage, it is ordered that WCC consider reviewing all its policy forms to determine whether any other unnecessarily broad language has been revealed by prior claim filings. Comments and Recommendations 5, Examination Report, page 3.

6. It is ordered that the Company consider requesting appropriate letters of credit from all unauthorized reinsurers. Comments and Recommendations 6, 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 Olympia, Washington, this 31st day of March, 2006.

MIKE KREIDLER
Insurance Commissioner

WASHINGTON CASUALTY COMPANY
a subsidiary of Northwest Healthcare Insurance Services

March 22, 2006

RECEIVED
MAR 27 2006
INSURANCE COMMISSIONER
COMPANY SUPERVISION

James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
Office of Insurance Commissioner
P. O. Box 40255
Olympia, Washington 98504 - 0255

RE: Examination Report of Washington Casualty Company, in Rehabilitation as of December 31, 2004.

On March 17, 2007, you sent a Draft of the captioned Report to Washington Casualty Company (WCC). You ask that any comments on this Draft be sent to you by April 7, 2006. This communication is in response to the content of that Draft.

WCC wants to first of all address the Comments and Recommendations portion of the Draft Report. We will present our comments in the same order as the six Recommendations appear in the Draft Report.

1. Control over Investment Activities. WCC has implemented the recommended procedure.

2. Controls over Cash Disbursements. Clear policies have been put into place.

3. Improper Closing of General Ledger Accounts. Arrangements have been implemented to ensure that all significant transactions can be entered or accrued. WCC does want to point out the procedure that gave rise to this Recommendation involved only its Claims System. All General Ledger accounts were closed in accordance with the examiner's recommended procedure.

4. NAIC Annual Statement Errors. WCC has and will seek to continue to comply with the applicable RCW provisions, Annual Statement instructions, and SSAPs.

5. Policy Language Deficiencies. WCC will review, on a time available basis, its various policy forms.

6. Reinsurance Credits. WCC has taken the necessary steps to comply with the provisions of Chapter 284 - 13 WAC and today is in full compliance. The appropriate letters of credit have been obtained from all reinsurers who do not hold a Washington Certificate of Authority.

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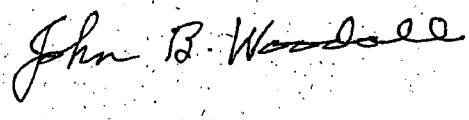
It has been discovered the Draft contains one typo we want to bring to your attention. On page 5 of the Draft Report in the Management and Control portion, the first name of WCC's CFO & Vice President is Marc.

The officers and employees of WCC want to express their appreciation for the efforts of the examining team members who participated in this examination.



John B. Woodall
Deputy Receiver

cc: Marc Mrkvicka, CFO and Vice President, WCC
Mickey Salas, Controller, WCC