

**DELTA DENTAL**  
**Washington Dental Service**

Washington Dental Service is a member of the Delta Dental Plans Association

March 12, 2010

Mr. James T. Odiorne, JD, CPA  
Deputy Commissioner  
Company Supervision  
Washington State Office of Insurance Commissioner  
PO Box 40255  
Olympia, WA 98504-0255

Re: Chapter 48.13.RCW – Possible Amendment of Insurer Investment Requirements

Dear Mr. Odiorne:

Washington Dental Service appreciates the opportunity to participate in the process of updating the investment code applicable to insurers. We agree with the approach taken, to utilize NAIC guidance, allowing the use of modern portfolio theory, and maintaining the integrity of assets for the benefit of our insureds, creditors and the general public.

We would like to draw your attention to a few areas of concern:

Section 8.(5) – Special provision for mutual funds. The ability to look through a mutual fund to the underlying assets would be problematic. Asset turnover within a mutual fund can occur on a frequent basis, making it difficult for the holder to manage asset class limitations with a high degree of certainty. Mutual fund managers only disclose holdings periodically through the year. Diversification inherent with mutual funds significantly reduces risk concerns associated with individual securities. This section should not include reference to look through provisions associated with mutual funds.

Section 7(4)(j) – Any other business activity reasonably ancillary to an insurance business. While this section is ambiguous in nature, we prefer the opportunity it allows. Our challenge is in the application. A well crafted business plan, with clear alignment to the company's mission should be given an affirmative response, without the requirement for special consent.

Section 8(3) – Investment subsidiaries. We are seeking clarification of this provision. Will investments of all subsidiaries be counted toward the insurer's class limitations, or just those subsidiaries identified strictly as "investment subsidiaries"? If all subsidiaries, this would be challenging due to parent control limitations over certain subs, and variables associated with investment policies and mandates of subs compared to the parent.

The proposed Act does not mention Exchanged Traded Funds. We would presume ETF's would fall under section 7(4); however, this is not clear. Alternatively, they could be considered under section 7(12). We would like to see clarification, with a preference for section 7(4)

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The proposed Act appears to allow an insurer to hold assets as non-admitted to the extent they fall outside of allowed limitations. This is the preferred position, and would propose this be specifically addressed.

While the proposed Act identifies minimum asset requirements (MAR), it does not allow for enhanced discretion beyond the MAR. We would like to propose the ability to expand asset class limitations in cases where the MAR exceeds a certain threshold. This could be accomplished by identifying a multiple of authorized control level RBC that would allow greater flexibility to the insurer, and offer asset class limitations in excess of those stated in the act, i.e. an ACL RBC of 5 times could allow for increased thresholds within section 7(4) of 5 percentage points for each additional multiple of ACL RBC over 5

Again, we appreciate the opportunity to participate, and look forward to further dialogue as you move this process along. Do not hesitate to contact me if you have questions or comments.

Very truly yours,



Tracy L. Warner  
Executive Vice-President, Chief Operating & Finance Officer