From: Miller, Susan (OIC)
To: Goodwin, Shelly (OIC);
Subject: FW: Chapter 48.13 RCW - possible amendment
Date: Wednesday, March 24, 2010 1:38:04 PM

From: Gipson, Bradley (Brad) [mailto:BGipson@mutualofenumclaw.com]
Sent: Monday, March 15, 2010 4:22 PM
To: Miller, Susan (OIC)
Subject: RE: Chapter 48.13 RCW - possible amendment

Susan,

A few brief comments:

- While obviously in the NAIC model, I find it curious that an investment statute would be used to give the commissioner further discretionary control as to minimum financial security benchmarks – this should be a solvency concern and not an investment issue.
- In various sections, compliance with the NAIC model audit rule with respect to internal controls appears presumed. Many companies will be exempt from these rules and would not view favorably an attempt to backdoor these requirements in the context of an investment statute overhaul.
- Section 4(3)(d) appears to be more applicable to non-P&C insurers.
- We have limited interest in placing procedures and controls into a high-level investment policy statement – shouldn't a policy remain a policy? Can this section be complied within a document of reasonable size? The whole section seems overly prescriptive and overkill for the topic, especially with the presumption of commissioner approval in addition to board approval.
- What exactly is meant by "all aspects of the investing function" in Section 6 (1)?
- Documenting how we intend to be compliant with 12 different aspects of prudence seems awkward at best.
- What is the definition of 'asset-backed securities' in Section 7(2)? Too narrow of a definition would seem to exclude many types of structured securities that are in common use.
- Limitations on foreign securities took awhile to ascertain, but they appear to be limited to 10% of admitted assets with further restrictions for countries whose sovereign debt is not at the highest level. These limits appear xenophobic and are consequently inappropriately low given the relative size of foreign assets readily tradable and otherwise evaluated by the SVO.
- A limitation of stock holdings for P&C companies of 25% of admitted assets is arbitrarily low for the operations of many P&C insurers.

- How many states have codified these limits on foreign securities and equities?
- We expect to be exempt from Section 9 at face value.
- Blanket provisions to hire experts at our expense do not make us very comfortable.
- Section 18 appears to grant the commissioner very wide discretion.

To comply with the code, we'd like the following guidance:

- Examples of compliant general investment policies
- Detailed description of how investment in affiliates affects investment eligibility and limitations

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From: Miller, Susan (OIC) [mailto:SusanM@OIC.WA.GOV]
Sent: Monday, January 25, 2010 1:55 PM
To: Alicia Bolton; Amy Irish; Andrea Ellis; Gipson, Bradley (Brad); Brandon Cuevas; Bret Myers; Charles Fox; Clark Roberts; Dave Evans; Dean Ozuna; Debbie Eldredge; Deborah Carlson; Gordon Robinson; Jeannie Crone; Jennifer Freeman; Jim Gill; Jim Page; John Pierce; John Schanen; John Visich; Jon Allen; Jon Jurevic; Karen Fox; Katherine Cody; Ken Zimmerman; Kevin Morris; Kristin Kenny; Linda Cupp; Michael Fallon; Michael James; Mike Fenton; Nancy Bayley; Patricia Cochran; Robert Ogle; Rod Pierson; Ronald Myhan; Scott Blount; Sean McCourty; Steve Ricco; Steven Hooker; Stewart Woo; Susan Fitzgerald; Todd Bareika; Vicki Inglis; Wee Yuen Chin; Wendy Popke; Zachary Smulski
Subject: Chapter 48.13 RCW - possible amendment

Please see attached letter and draft and let me know if you have any questions.
Thank you.
Susan Miller
Company Supervision Division
SusanM@oic.wa.gov

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