**From:** Miller, Susan (OIC)
**To:** Goodwin, Shelly (OIC);
**Subject:** FW: Chapter 48.13 RCW - possible amendment
**Date:** Wednesday, March 24, 2010 1:37:39 PM

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**From:** Myers, Bret [mailto:myers.bc@ghc.org]
**Sent:** Monday, March 15, 2010 4:47 PM
**To:** Miller, Susan (OIC)
**Subject:** RE: Chapter 48.13 RCW - possible amendment

Dear Deputy Insurance Commissioner Odiorne – thank you for the opportunity to provide comments and drafting suggestions to the possible form of amendment to Chapter 48.13 RCW. I have elected to focus Group Health's comments on how a carrier might be able to apply the proposed statutes with respect to ongoing investment management practices.

- Sections 3(1)(b) and (c) – Do these sections imply that an investment portfolio in place could be altered by changes made in the Minimum Financial Security Benchmark? How would we know when changes in the minimum benchmarks are going to be enforced?

- Section 3(2)(vi) – Not certain how a carrier would gauge "diminished prospects for performance" of reinsurers' or other counter parties' obligations – in anticipation of any inquiries raised by the OIC.

- Section 5(7)(h) – What is the definition of "Leverage"?

- Section 7 – Why are investments made as a participant in a partnership, joint venture or limited liability company struck out if they are contemplated as a part of the NAIC Model Law?

- Sections 7(2), (3) and (4) – More flexibility for investing in non-US securities can diversify risk and improve investment returns – over the past 10-20 years investment management convention has encouraged more international allocations to portfolios. This is one of a couple of sections where the proposed form of amendment is more limiting than the NAIC Model Law. What is the reason for more limited foreign investment in the OIC statutes?

- Section 7(4) – The inclusion of investments in subsidiaries to fall under the parameters set for other types of equity investments. The oversight of subsidiary operations in a carrier, particularly larger carriers, typically does

not fall under the same department as the one managing the investing of marketable securities. The NAIC Model Law has been developed for the management of marketable securities and certain other types of investments that are unrelated business investments (e.g., real estate) – it seems that the added sections of 7(4) should be a separate statute.

- Also, perhaps there can be a separate section regarding mutual fund investments. Mutual funds can be a very cost effective way to develop investment exposure to a variety of asset classes – in this "new normal" investment environment of likely lower returns, expenses are as important as diversification and risk mitigation, particularly for smaller carriers that cannot justify the costs of having separate accounts. Other items regarding mutual fund investments that would be beneficial having defined:
    - Very few international funds today limit themselves to NAIC SVO debt rated 1 countries – how does this limitation, then, apply to international mutual funds?
    - The 3%/5% of admitted assets limitation for any one issuer – it would be beneficial to have this defined as applying to any one mutual fund as opposed to a family of funds. There are large fund families (e.g., Vanguard, Fidelity) that offer numerous attractive mutual fund investments – the investment risk sits with each fund, not the entire family of funds.
    - The inclusion of exchange traded funds along with mutual funds.

- Section 7(7) – Why just NAIC SVO 1 debt rated countries? See comments in sections above.

- Section 8(c)(ii) – Same thought as Section 7(4) comment above regarding investments in subsidiaries.

- Sections 8(d) and (e) – Depending on how applied, these limitations could pose issues for HMOs which have considerable investments in their healthcare delivery systems.

- Section 8(f) – Same comment as already made regarding limiting international investments.

- Section 8(5) – Given that the listing of mutual fund holdings is many months after the report date for the fund, curious to learn how this proportional allocation process would be applied.

Thank you again for the opportunity to present Group Health's comments and drafting suggestions. If there is anything I have mentioned that you or your staff

would like to discuss further, please feel free to contact me.

Regards,

Bret Myers
Assistant Treasurer
Group Health Cooperative
320 Westlake Avenue N, Suite 100
Seattle, WA 98109-5233
(206) 448-4397 phone
(206) 448-0665 fax

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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; Brad Gipson; Brandon Cuevas; Myers, Bret; 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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