



RECEIVED

July 20, 2010

JUL 22 2010

INSURANCE COMMISSIONER
COMPANY SUPERVISION

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

Re: Chapter 48.13 RCW – Insurer Investment Modernization

Dear Mr. Odiorne:

Thank you for providing the most recent version of the proposed investment modernization bill, and for incorporating some of the changes we, and other carriers, have requested. We appreciate the collaborative nature of working towards legislation that will both, protect the insured policyholders of our State, as well as allow insurance carriers to obtain the maximum return for the benefit of those policyholders. We do understand the need to balance the risk with those returns and that your ultimate goal is protection of the policyholders.

While we certainly believe the legislation is moving in the right direction and has improved with each review, there remains one or two areas where we believe it can be further strengthened. The following highlights the particular sections where we would like to request revisions to the proposed legislation. Please note that deletions to current language are struck through, while additions are underlined.

Section 3.1(b) – Discretionary Power of Commissioner to Define Minimum Asset Requirement.

The model law language as currently stated appears to significantly increase the discretionary power of the commissioner with respect to setting a minimum financial security benchmark. It does not, however, state under what circumstances that power would be exercised. We understand the complications posed by requesting this be exercised by rule instead of order, and so we believe it is appropriate to compromise on that point. However, in order to provide transparency and predictability, we believe the circumstances under which this discretionary authority would be used should be defined. We request the following revision to section 3.1(b):

The commissioner may, in accordance with the factors in Subsection 2(b) of this section, establish by order a minimum financial security benchmark to apply to a specific insurer, provided it is not less than the amount determined by Subsection 1(a), in the event the insurer falls below two times the authorized control level risk-based capital applicable to the insurer as set forth by RCW 48.05.450.

Section 8.1(c) – Investment in Subsidiaries.

In order to remain consistent with model law language, and with the intention that certain types of subsidiaries are designed to support the operations of the insurance company, we propose the following minor change:

Investments authorized by Section 7(4) (other than subsidiaries of the type authorized under Section 7.4(a)-(k)) twenty percent (20%) of admitted assets in the case of life insurers and twenty-five percent (25%) of admitted assets in the case of non-life insurers;

Section 8.1(c)(ii) – Limit on Subsidiary Investments.

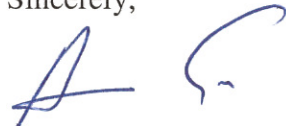
Current law (RCW 48.13.218) allows the exclusion of investments in foreign or domestic subsidiary insurers (as distinguished from insurance related subsidiaries defined in Section 7(4)(a)-(k)), health care service contractors, and health maintenance organizations in the calculation of this limit. The model law as well, does not impose this limit on the assets applicable to the minimum asset requirement calculation. We believe these types of entities should be excluded from the 10% limitation due to the fact that they are themselves subject to regulation by the OIC and therefore do not pose the same risk that an unregulated entity might represent. In addition, the fact that the parent company incurs an additional RBC risk charge in proportion to the combined level of asset and underwriting risk for these entities means that the parent company has already taken additional risk into account. We do agree that the 10% limitation should be applied to non-regulated subsidiaries as defined in Section 7(4)(a)-(k). As a compromise, we request the following change:

(ii) Investments authorized in Section 7(4) of this Act in one or more subsidiaries shall not exceed the lesser of 10% of admitted assets, or 50% of surplus. In calculating the amount of investments under this Section, investments in foreign or domestic insurers, health care service contractors, and health maintenance organizations are excluded.

We continue to appreciate the flexibility and compromise that has been extended thus far. We respectfully ask that you consider our requests as outlined above and that you contact us if you have any specific questions, or need clarification of our position.

Thank you again for the opportunity to be included in this process and we look forward to assisting with any additional comments or suggestions to facilitate in drafting the proposed bill to amend Chapter 48.13 RCW.

Sincerely,



Andreas Ellis

Vice President & Treasurer