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**INSURANCE COMMISSIONER
COMPANY SUPERVISION**

October 30, 2009

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

Re: Chapter 48.13.RCW – Possible Amendment

Dear Mr. Odiorne:

Regence is very supportive of, and appreciates being included in, this process of amending the regulations of Chapter 48.13 RCW. The meeting that was recently held by the Washington OIC for company CFOs was an important first step to identify the issues and areas within the regulations that are no longer relevant at the present time and in our current market environment. Regence is fully supportive of new legislation that would be beneficial to our policy holders as well as strengthening our surplus.

From our perspective, and at the conceptual level, Regence would like to see new regulations guided by the following "big picture" issues, some of which were discussed at the recent meeting with CFOs:

- Amend regulations consistent with NAIC Model Law so as to provide greater consistency across states.
- Increase risk tolerance when supported by the appropriate surplus levels.
- Broader recognition of currently acceptable securities, such as common stock mutual funds.
- Diversification as set forth in modern Portfolio Theory.

On a more specific level, the following bullet points contain issues Regence has identified that need to be amended in order to achieve the "bigger picture" issues concepts above:

- Money Market Mutual Funds: Amend current legislation to allow for investments in money market mutual funds to be considered an admitted asset within appropriate limits. Recently, the Company requested and was granted special consent, as defined by WAC 284-07-500, to hold up to four percent (4%) of its assets in a single entity's mutual fund and an unlimited amount if listed on the NAIC SVO's U.S. Direct Obligations/Full Faith and Credit Exempt list. We also requested and were granted, by special consent of the Commissioner, that these investments are not subject to an aggregate limitation of ten percent (10%) of admitted assets. This is the type of legislation we would like to see added permanently to the regulations.



- Common Stock Mutual Fund: Amend RCW 48.13.220 to allow for investments in common stock mutual funds to be considered an admitted asset with similar limitations as outlined in RCW 48.13.220.
- Bond Mutual Funds: Amend current legislation to allow for investments in bond mutual funds within limits set forth in RCW 48.13.030.
- Joint Venture, Partnership or Limited Liability Company: Amend current legislation to allow for investments in Joint Venture, Partnership or Limited Liability Company within the limits set forth in RCW 48.13.030.
- Preferred Stock: RCW 48.13.080 - Increase or eliminate the limitation regarding 15% of admitted assets for other-than-life insurers, and further, define the types of legal entities that a company can invest in.
- Foreign Securities: RCW 48.13.180 - Expand this regulation to allow for investment in emerging markets with sovereign debt ratings of other than SVO1.
- General qualifications: RCW 48.13.020 - Eliminate the provision that eligible investments must be interest bearing, interest accruing, dividend, or income paying. For example, growth stocks often do not pay dividends but should still be considered a prudent investment.
- Real Estate: RCW 48.13.160 - Expand to allow for investment into income producing real estate such as investment rental properties.
- Disposal of ineligible property or securities: RCW 48.13.290 - More clearly define the treatment of ineligible investments. Do they need to be disposed of or non-admitted? Is there a maximum amount of non-admitted investments based on a percentage of admitted assets that a company can hold?
- Obligations rated by the securities valuation office: RCW 48.13.280 - This regulation needs to be updated to reflect NAIC model law.

The comments outlined above, as well as the bigger picture concepts, are issues that would benefit from modification in order to more appropriately and effectively diversify our portfolio of assets in a manner that safeguards our ability to maintain the necessary liquidity and pay our policy holders' claims.

We appreciate the opportunity to be included in this very important and timely process, and look forward to assisting the OIC in crafting regulation that will more appropriately reflect the current market climate in which we transact for the good of our members.

Sincerely,



Andreas Ellis
Director & Treasurer

cc: Steven L. Hooker, SVP & CFO, The Regence Group