

June 28, 2010

Mr. James T. Odiorne
Deputy Insurance Commissioner
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

Re: Proposed Amendments to RCW 48.13

Dear Mr. Odiorne

Generally the Community Health Plan of Washington would recommend state law and regulations not deviate from Model Rules adopted by the NAIC. The complexity of regulatory requirements necessitates the ability of insurers be able to rely on accounting standards and guidance issued by the NAIC.

Comments on Model Rule 283

Model Rule 283, however presents some concerns to insurers in the state of Washington. In general our concerns with this model rule relate to the expansion of the commissioner's authority, the specific authority granted to the commissioner to apply special unspecified standards for as yet undetermined insurers, as well as the authority to order various reports and changes in procedures.

What we do appreciate about this model rule is the establishment of specific requirements for an investment policy and rules for investment portfolios. Published standards and requirements enhance compliance and reduce the administrative burden of compliance.

Specific concerns are listed below:

Section 3 Minimum Financial Security Benchmark:

This section sets minimum financial security benchmarks. This standard is a solvency issue and does not belong in an investment policy

1. **(b)** Allows the commissioner to "establish by order a minimum financial security benchmark to apply to a specific insurer".

The questions presented are:

- Why set standards for minimum financial security in an investment policy?
- Why set standards with an immediate proviso for discretionary exceptions which are not set out with quantitative measures. If there are exceptions they need to be set out specifically.
- These provisions are too subjective as presented.
- It is not clear how "minimum financial security benchmarks" relate to the remainder of the model rule.

Section 4 Authorized Investments

2. (d) While an insurers requirement for liquidity are important in setting asset allocation levels in an investment policy, cash flow planning is not an appropriate requirement of an investment policy.

Section 6 Insurer Investment Policy

1. A policy should not include "procedures", especially a board policy.

Section 8 Limitations Generally Applicable

Special reporting requirements for mutual funds in subsection (5). Please see comments below on Section 12.

Section 12 Reports and Replies

Quarterly and annual statutory statements are extensive and represent a substantial investment of staff expertise and time to complete. Further, OIC audits provide an additional level of scrutiny. Increasing the reporting requirements imposed on insurers will only result in additional administrative burden. This section does not specify what reports and replies will be required. This section does not ensure that these requests are not duplicative of quarterly reports. Investment software is developed in the industry to meet the quarterly and annual reporting requirements. Special reports outside the standard reporting requirements may require extensive manual preparation.

Further, subsection 3 provides that the commissioner may proscribe the "techniques of accounting and data handling". Insurers are required to translate financial statements to statutory accounting principles on a quarterly basis. Statutory accounting does not meet the legal requirements for most insurance companies and the conversion to statutory format on a quarterly process is an additional administrative burden. As the OIC and NAIC are oriented to statutory accounting, this proviso seems to imply that maintaining dual accounting methods may be required. As noted above, investment software is geared toward quarterly and annual reporting.

If the NAIC or OIC believe reports in addition to current required reports are necessary, then it should be done on a national basis with advance warning to permit the industry software developers to accommodate additional reporting requirements.

Section 13 Retention of Experts

There is no explanation for the authorization of the commissioner to incur expenses on the behalf of an insurer, nor is a standard outlined for when the expense of experts may be incurred on the insurer's behalf. The language, as it is written, appears to be an increase in taxes or fees. Taxes and fees are already paid to fund the Office of the Insurance Commissioner. If additional fees are needed by the OIC then the appropriate process should be followed to request a tax increase.

Deviation from the Model Rule

Amendments to the Model Rule should not be made unless they contribute to the understanding of the intended meaning. Other revisions which alter the meaning should not be made as it results in a divergence between the application of the rule in Washington State and the accounting guidance provided by the NAIC. We believe the onus should be on the state to show that a revision to a Model Rule is necessary to the proper supervision of insurers.

Section 5 Prudence Evaluation Criteria

7. (h) The term "leverage", used in this section is not defined. If the OIC believes this term is essential in this section, then it should be defined.

Section 7 Authorized Classes of Investments

Revisions to the model act in this section are unnecessary.

- Excluding Canadian investments does not serve to improve the financial performance of insurers.
- Limiting investments to SVO 1 debt rated countries limits an insurer's ability to diversify risk in improve investment returns.
- Section 3 addition of "first" before mortgage, loan, and security deeds is unnecessarily restrictive.

Section 8 Limitations Generally Applicable

Revisions to the model act in this section are unnecessary.

Section 10 Prohibited Investments

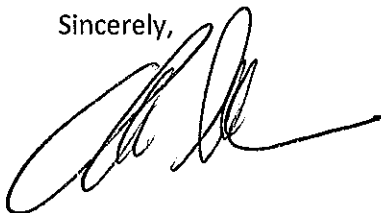
Revisions to the model act in this section are unnecessary.

Section 12 Reports and Replies

No necessity for mandating 15 day response in addition to model rule.

Thank you for the opportunity to comment on the proposed revisions to RCW 48.13.

Sincerely,



Alan Lederman
Chief Financial Officer