

MIKE KREIDLER
STATE INSURANCE COMMISSIONER



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. G06-21
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
MULTICARE HEALTH SYSTEM)	AND ORDER ADOPTING REPORT
)	OF
)	FINANCIAL EXAMINATION
A Domestic Charitable Gift Annuity Issuer.)	_____

BACKGROUND

An examination of the financial condition of **MULTICARE HEALTH SYSTEM** (MultiCare) as of December 31, 2004, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). MultiCare holds a Washington certificate of exemption to issue charitable gift annuities. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings and instructions was transmitted to MultiCare for its comments on February 16, 2006. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by MultiCare.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 6 of the report.

MULTICARE HEALTH SYSTEM
Order Adopting Examination Report
April 24, 2006

Mailing Address: P.O. Box 40255 • Olympia, WA 98504-0255
Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501



CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of MultiCare and to order MultiCare to take the actions described in the Instructions section of the report. The Commissioner acknowledges that MultiCare may have implemented the Instructions prior to the date of this order. The Instructions in the report are an appropriate response to the matters found in the examination.

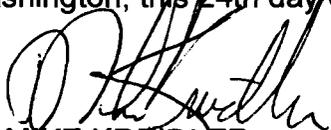
ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

1. Pursuant to Chapter 48.38 RCW, MultiCare is ordered to develop a system for accounting and reporting of its charitable gift annuity business to ensure its compliance with the principles or practices prescribed or permitted by the OIC. The system should include procedures for appropriate review, by staff other than the report preparer, to assure the completeness and accuracy of the Annual Report. Examination Report, Instruction 1, page 2.

IT IS FURTHER ORDERED THAT, MultiCare file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how MultiCare has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 24th day of April, 2006.



MIKE KREIDLER
Insurance Commissioner



MultiCare
Health System
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(253) 403-1000

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Office of Insurance Commissioner
Attn: Mr. James Odiorne, CPA, JD
Deputy Insurance Commissioner
PO Box 40255
Olympia, WA 98504

March 24, 2006

**RE: Response to OIC Financial Examination Report of MHS
As of December 31, 2004 on Charity Gift Annuity**

Dear Mr. Odiorne,

Following are our responses to the Report of Financial Examination of the Charitable Gift Annuity Business of MultiCare Health System.

Exceptions noted in the report:

1. Reporting Requirements

The adjustments noted in the report were classifications we made to prepare for our December 31, 2004 audit. Our 2004 audit was completed on April 19, 2005 and remaining adjustments were posted to the trial balance. Due to the timing of the OIC examination, the Annual Report was submitted to the OIC prior to any of these adjustments. We have improved our processes and controls in the accounting department to ensure the Annual Report is reviewed and reconciled.

2. Officers

It is the intent of MultiCare Health System to maintain our Bylaws in compliance with all Washington statutes and applicable laws and regulations.

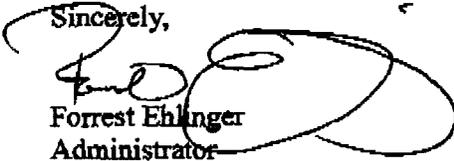
Throughout the time that MultiCare Health System has been incorporated as a Washington not-for-profit corporation, each of the several officers mentioned in your letter have at all times been appointed. We are now working with our Legal Department to ensure that our Articles and Bylaws are updated as necessary pursuant to RCW Chapter 24.03 and to determine if any changes need to be made to ensure that we are in compliance with the Washington nonprofit corporation act. All such changes and amendments will be completed by no later than April 30, 2006.

Mr. James T. Odiome, CPA, JD
Re: Response
March 24, 2006
Page 2

This issue did not come to my attention until this week. Thus, we apologize for our apparent delay in responding to these concerns.

The above comments are respectfully submitted for your review.

Sincerely,



Forrest Ehlinger
Administrator

FE/mb

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