



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. G06-50
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
PACIFIC VISIONCARE)	AND ORDER ADOPTING REPORT
WASHINGTON, INC.)	OF EXAMINATION

A Registered Health Care Service Contractor.

BACKGROUND

An examination of the financial condition of **PACIFIC VISIONCARE WASHINGTON, INC.** (the Company) as of December 31, 2004, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of registration as a health care service contractor. 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, instructions, and recommendations was transmitted to the Company for its comments on August 11, 2006. The Company's response to the report is attached to this order only for the purpose of a more convenient review of the response.

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

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 13 of the report.



CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **PACIFIC VISIONCARE WASHINGTON, INC.** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and Comments and Recommendations in the report are appropriate responses 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.

The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-4.

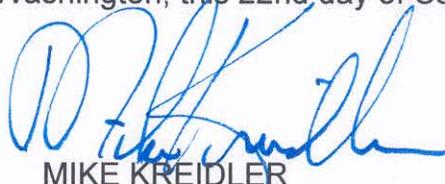
1. The Company is ordered to comply with RCW 48.31C.040(2)(c)(v) by including these agreements in Form B; RCW 48.31C.050(1) by disclosing the terms of the agreements in Form D; and, RCW 48.31C.050(2)(d) by properly notifying the commissioner prior to entering into management agreements, service contracts and cost-sharing arrangements. Instruction 1, Examination Report, page 2.
2. The Company is ordered to follow the NAIC Annual Statement Instructions, RCW 48.43.045(2) and Technical Assistance Advisory, (TAA), T 04-06, by properly completing the required compensation schedules, the RCW 48.43.045(2) compensation report and by responding to all interrogatories in the SCE, pursuant to RCW 48.44.095. Instruction 2, Examination Report, page 2.
3. The Company is instructed to comply with RCW 48.43.097, RCW 48.44.095, and WAC 284-07-050(2) in filing its NAIC Annual Statements in accordance with the NAIC Accounting Practices and Procedures Manual, and the NAIC Annual Statement Instructions. Instruction 3, Examination Report, page 2.
4. It is ordered that the Company consider preparing a formal, written business contingency plan that addresses the continuation of all significant business activities, including financial functions, telecommunication services and data

processing services, in the event of a disruption of normal business activities, as recommended by NAIC. Comments and Recommendations 1, Examination Report, page 4.

5. It is ordered that PVC consider writing, testing and implementing a disaster recovery plan that includes appropriate escalation procedures to resolve operational failures in a timely manner, as recommended by NAIC Guidelines. Comments and Recommendations 2, Examination Report, page 4.

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

ENTERED at Olympia, Washington, this 22nd day of September, 2006.



MIKE KREIDLER
Insurance Commissioner



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September 1, 2006

Office of Insurance Commissioner
James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
5000 Capitol Blvd
Tumwater WA 98501

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SEP 05 2006
INSURANCE
COMMISSIONER/SEATTLE

RE: Response to Examination Report of Pacific Visioncare Washington, Inc.
(PVC) As of December 31, 2004f

Dear Mr. Odiorne,

We have reviewed the examination report and have the following comments regarding the instructions, comments and recommendations and Company information.

Intercompany Agreements.

Information regarding the Intercompany agreements between PVC and Pacific Eyecare Network, Inc. and PVC's management agreement with Pacific Cataract and Laser Institute, Inc. were reported on Forms B & D with PVC's Annual Registration Statement for year ending 12/31/2005, filed 5/15/2006.

PVC will properly notify the commissioner prior to entering into new management agreements, service contracts and cost-sharing arrangements per RCW 48.31C.050(2)(d).

Officer Compensation Filings

The Salary Compensation Exhibit filed with the December 31, 2005 Annual Financial statement properly reflected the salary allocation method in Question 1, Part 1.

DATE RECEIVED: 9/7/06
FINANCIAL EXAMINATIONS
INSURANCE COMMISSIONER/SEATTLE

look, see and feel better

NAIC Annual Statement Errors and Misclassifications

PVC has reviewed the procedures and has corrected the subsequent quarterly and annual filings as noted below.

Claim Adjustment Expense

PVC reallocated the TPA fees between claims expense and general administrative based on a time study provided by the TPA. This reallocation was reflected on the Statement of Revenue & Expenses, page 4 of the Quarterly Statement for period ending September 30, 2005; with the detail reported on the Underwriting and Investment Exhibit, Part 3 of the Annual Statement for year ending 12/31/2005.

Commission Expense

PVC has changed its procedures for allocating commission expense to prevent this error from occurring in the future.

Underwriting and Investment Exhibit

PVC does acknowledge that the regulatory fee should be reported on line 23.3.

PVC has changed its method of completing the Underwriting and Investment Exhibit, Part 2C – Development of Incurred Health Claims- Vision in accordance with NAIC annual statement instructions. The correct method is reflected in the Annual Statement for year ending 12/31/2005.

Schedule Y – Part 1

This schedule was modified with the Quarterly Statement for period ending September 30, 2005 and subsequent filings to include the ultimate controlling person and relationship to the holding company group.

General Interrogatories

The name of the individual providing the statement of actuarial opinion was properly reported on the General Interrogatories, part 1, question 10, in the Annual Statement for year ending 12/31/2005.

Notes to Financial Statements

The non-admitted portion of the deferred tax asset was properly reported in Note 13(9) b. in the Annual Statement for year ending 12/31/2005.

Note 9 D was corrected in the Quarterly Statement for period ending September 30, 2005 and subsequent filings.

COMMENTS AND RECOMMENDATIONS

PVC intends to formalize its business contingency and disaster recovery plans as recommended by NAIC.

AFILLIATED COMPANIES

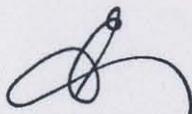
Pacific Cataract and Laser Institute, Inc. (PCLI) consists 12 ambulatory surgery centers, providing low stress outpatient eye care. PCLI owns 2 aircrafts.

PCLI of Alaska, Inc. does not own any aircraft.

We found the financial examination process to be of significant value. It provided confirmation that our operation is in compliance with the regulations of the Office of Insurance Commissioner. In addition your examiner took the time to provide clarification of instructions when appropriate.

Sincerely,

Pacific Visioncare Washington, Inc.



Debbie J. Eldredge, President