

STATE OF WASHINGTON

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MIKE KREIDLER
STATE INSURANCE COMMISSIONER



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. G07-5
)	
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
LIFEWISE HEALTH PLAN OF)	AND ORDER ADOPTING REPORT
WASHINGTON)	OF EXAMINATION

A Registered Health Care Service Contractor.

BACKGROUND

An examination of the financial condition of **LIFEWISE HEALTH PLAN OF WASHINGTON** (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 January 31, 2007. 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 15 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 **LIFEWISE HEALTH PLAN OF WASHINGTON** 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.

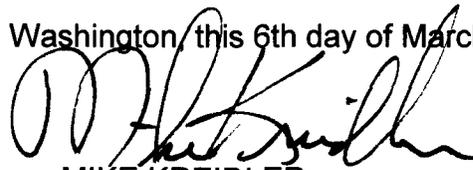
The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-5.

1. The Company is ordered to comply with RCW 48.44.100 and file an accurate statement of its financial condition, transactions, and affairs; with RCW 48.43.097 which requires the filing of its financial statements in accordance with the NAIC AP&P Manual; and with WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the NAIC AP&P Manual. Instruction 1, Examination Report, page 2.
2. The Company is ordered to amend its custodial agreement with BNY to include appropriate wording and criteria as set forth in the NAIC FCEH pursuant to RCW 48.03.010(1) and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions. In connection with the incorrect statement in General Interrogatory No. 23.01, the Company is also ordered to comply with RCW 48.44.100 and file an accurate statement of its financial condition, transactions, and affairs. Instruction 2, Examination Report, page 3.
3. The Company is ordered to comply with RCW 48.44.100 and file an accurate statement of its financial condition, transactions, and affairs; with RCW 48.43.097 which requires the filing of its financial statements in accordance with the NAIC AP&P Manual; and with WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the NAIC AP&P Manual. Instruction 3, Examination Report, page 3.

4. The Company is ordered to comply with WAC 284-07-060(2)(a) and include a SAO that is in compliance with the NAIC Annual Statement Instructions and the NAIC AP&P Manual pursuant to WAC 284-07-050(2). Instruction 4, Examination Report, page 4.
5. The Company is ordered to adequately account for unpaid claims adjustment expenses using past experience adjusted for current trends, pursuant to SSAP No. 55, paragraph 8, and comply with RCW 48.44.100 and file an accurate statement of its financial condition, transactions, and affairs; with RCW 48.43.097 which requires the filing of its financial statements in accordance with NAIC AP&P Manual; and with WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the NAIC AP&P Manual. Instruction 5, Examination Report, page 4.
6. The Company is ordered to calculate all future premium taxes based on written premiums, pursuant to RCW 48.14.0201(2) and pay the deficiency amount of \$49,769 immediately to the Washington State Office of Insurance Commissioner. Instruction 6, Examination Report, page 4.
7. The Company is ordered to consider amending its custodial agreement to reflect the current legal Company name. Comments and Recommendations 1, Examination Report, page 5.

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 6th day of March, 2007.



MIKE KREIDLER
Insurance Commissioner



February 16, 2007

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

RE: Financial Examination Report of LifeWise Health Plan of Washington as of December 31, 2004

Dear Deputy Commissioner Odiorne:

Please see LifeWise Health Plan of Washington's (the Company) responses to the examination Instructions and Comments and Recommendations from the Office of the Insurance Commissioner's Financial Examination Report in the letter dated January 31, 2007. Also, we noted some inaccuracies in the other sections of the report and have suggested alternative text for your consideration.

INSTRUCTIONS

1. NAIC Annual Statement Errors and Misclassifications

a. Securities Lending Accounting for Collateral Received on Securities Loaned

The Company does not contest this finding. Beginning with the 2005 1st Quarter Statement and all subsequent filings, amounts related to securities lending were not reported on the balance sheet.

b. Premium Reporting on Schedule T and the Underwriting and Investment Exhibit, Part 1

The Company does not contest this finding. In the 2005 Annual Statement, the Company recorded written premiums on Schedule T and the Underwriting and Investment Exhibit, Part 1, Column 1.

c. Board Member Listing Error on Jurat Page

The Company does not contest this finding. A Director was inadvertently listed on a jurat page for the statutory statement period after he had resigned from the Board. This was corrected on subsequent financial statement filings.

d. Remittances and Items Not Allocated Misclassified

The Company does not contest this finding. In the 2005 Annual Statement and for subsequent filings, unapplied premium payments will be reported as Remittances and items not allocated.

e. Additional Data to the NAIC Annual Statement

The Company does not contest this finding. In the 2005 Annual Statement, the Additional Data to the Annual Statement was completed properly.

2. Investment Custodial Agreement Criteria

The Company does not contest this finding. The Company is in the process of amending its custodial agreement with the Bank of New York Trust Company.

Beginning in the 2005 3rd Quarter Statement, the Company corrected the General Interrogatories related to the custodial agreement.

3. Tax Allocation

The Company does not contest this finding. In the 2005 Annual Statement, the Company recorded entries to credit Unassigned funds and to debit Receivables from parent, subsidiaries and affiliates for subsidiary utilization of tax net operating loss carry forwards.

4. Statement of Actuarial Opinion (SAO) Issues

The Company does not contest this finding. In the 2005 Annual Statement, the Company made corrections in its statement of Actuarial Opinion, pursuant to the OIC's instructions, consistent with the NAIC Annual Statement Instructions.

5. Understated and Overstated Unpaid Claims Adjustment Expense (CAE)

The Company will review its unpaid claims adjustment expenses as requested "using past experience adjusted for current trends pursuant to SSAP No. 55, paragraph 8."

6. Premium Tax Return Deficiencies

The Company does not contest this finding. The premium tax returns for these years were amended and the additional premium tax was paid on September 9, 2005.

COMMENTS AND RECOMMENDATIONS

1. Amend the custodial agreement with the Bank of New York Trust Company to reflect the current company name.

The Company is in the process of amending its custodial agreement with the Bank of New York Trust Company.

COMPANY PROFILE

On page 5 under Capitalization, the legal name of Washington-Alaska Group Services, Inc. has a hyphen between Washington and Alaska.

AFFILIATED COMPANIES

1. On page 6 under the category name PREMERA, Inc., the entity name should be PREMERA.
2. On page 6 under Premera Blue Cross (PBC), delete "PBC is also a fiscal intermediary for Medicare Part A" and insert, "PBC operated as fiscal intermediary for Medicare until September 30, 2004. Additionally, PBC ceased Medicaid operations effective June 1, 2004."

INTERCOMPANY AGREEMENTS

1. On page 7, we are confused as to which agreement the description of the Administrative Services Agreement (ASA) relates to. The Company does not provide administrative services to PREMERA affiliated companies. The company received administrative services from another PREMERA affiliated company, NorthStar Administrators, Inc., from May 1, 2001 through December 31, 2004. Effective January 1, 2005, there is an ASA between the Company and PBC for similar administrative services.
2. On page 7, this section should contain the administrative services agreements that existed between the Company and Calypso Healthcare Solutions effective February 1, 2005
3. On page 8, Intercorporate Tax Sharing Agreement should be "Restated Intercorporate Tax Sharing Agreement." In its Annual Registration Statement, the Company refers to this agreement as the "Tax Allocation Agreement."

MANAGEMENT AND CONTROL

On page 9, delete the third bullet, Executive Protection.

ACCOUNTING RECORDS AND INFORMATION SYSTEMS.

On page 10, the Company refers to its Information Technology department as IT, not IS.

Please feel free to call me regarding any of these responses or comments. I can be reached at 425-918-4640.

Sincerely,

Sharilyn A. Campbell
by *gcs*

Sharilyn A. Campbell
Vice President, Finance