



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)
)
The Financial Examination of)
SEATTLE PACIFIC UNIVERSITY) FINDINGS, CONCLUSIONS,
) AND ORDER ADOPTING REPORT
) OF
) FINANCIAL EXAMINATION
A Domestic Charitable Gift Annuity Issuer. _____

BACKGROUND

An examination of the financial condition of **SEATTLE PACIFIC UNIVERSITY** (SPU) as of December 31, 2005, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). SPU 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 SPU for its comments on November 1, 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 SPU.

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.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of Seattle Pacific University (SPU) and to order SPU to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that SPU may have implemented the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and Comments and Recommendations in the report are an appropriate response to the matters found in the examination.

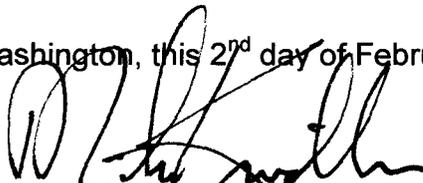
ORDER

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

1. SPU is ordered to develop a system for legally and physically segregating its charitable gift annuity business to ensure its compliance with RCW 48.38.020(2)(a). Examination Report, Instruction 1, page 2.
2. SPU is ordered to consider that a formal conflict of interest policy and annual conflict of interest questionnaire be developed for key employees in addition to the questionnaire currently utilized with the Board of Trustees. The policy should include a provision for annual review by the Board of Trustees. Examination Report, Comments and Recommendations 1, page 2.

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

ENTERED at Olympia, Washington, this 2nd day of February, 2007.


MIKE KREIDLER
Insurance Commissioner



Office of Business and Planning

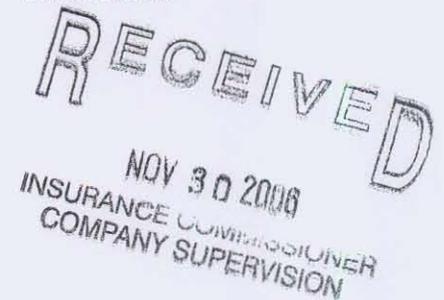
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November 27, 2006

James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
P.O. Box 40255
Olympia, WA 98504-0255



Dear Mr. Odiorne:

Seattle Pacific University (SPU) has reviewed the draft copy of the **Financial Examination Report of Seattle Pacific University (CGA) As of December 31, 2005** sent from your office on November 1, 2006. As requested, the University is responding to the invitation to review the document prior to it becoming certified and public.

In regards to the Instruction noted on page 1 of the report, the University understands the position of the Commissioner's interpretation of the definitions and intentions of the RCW 48.38.020(2)(a) regarding legally and physically segregating our charitable gift annuity business as explained in the report. While SPU believes it had segregated the gift annuity reserve assets by unitizing the assets in its existing investment pools for optimal investment results, it now understands that this is not an acceptable interpretation by the Insurance Commissioner's Office. The University is now in the process of moving the reserve funds to a physically segregated account under the name of the annuity fund to maintain the reserve balances required by the State of Washington.

In regards to the Comments and Recommendations related to Conflict of Interest Policy on page 2 of the report, the University believes the wording of the recommendation is misleading as it relates to the collection of the conflict of interest information from its Board of Trustees (BOT). As part of the audit process, the University provided documentation related to an annual questionnaire completed by the BOT and did present the results of that questionnaire to the auditors while they were conducting the audit. The first sentence of the recommendation should read "It is recommended that a formal conflict of interest policy and annual conflict of interest questionnaire be developed for key employees in addition to the questionnaire currently utilized with the Board of Trustees." SPU is in the process of improving its conflict of interest policy and as it relates to key employees, which is part of a larger review of the institution's overall ethical practices and policies.

It is the University's belief that the changes made above will satisfy the audit instruction and recommendation going forward and it will continue to be in compliance with the RCW related to its charitable gift annuity program.

Sincerely,

Craig Kispert
Associate Vice President for Business and Finance