



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 08-180
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
WESLEY HOMES)	AND ORDER ADOPTING REPORT
)	OF EXAMINATION

A Domestic Charitable Gift Annuity Issuer.

BACKGROUND

An examination of the financial condition of **WESLEY HOMES** (WH) as of December 31, 2006, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). WH 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, instructions, and recommendations was transmitted to WH for its comments on August 29, 2008. WH'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 WH.

Subject to the right of WH 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 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 **WESLEY HOMES** and to order WH to take the actions described in the Instructions section of the report. The Commissioner acknowledges that WH may have implemented some of the Instructions prior to the date of this order. The Instructions in the report are appropriate responses to the matters found in the examination.

ORDER

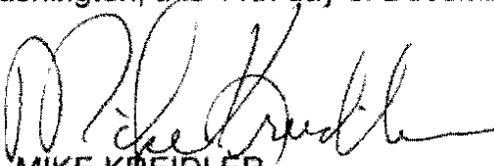
The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

WH is ordered as follows, this being the instruction contained in the examination report on page 1.

1. WH is ordered to comply with RCW 48.38.020(1) and transfer the balance in the gift annuity checking account from the bank account of Wesley Homes Des Moines, LLC to an account established in the name of Wesley Homes Foundation. Instruction 1, Examination Report, page 1.

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

ENTERED at Olympia, Washington, this 11th day of December, 2008.


MIKE KREIDLER
Insurance Commissioner



WESLEY HOMES

RETIREMENT COMMUNITIES & HEALTH SERVICES

RECEIVED
SEP 09 2008
INSURANCE COMMISSIONER
COMPANY SUPERVISION

September 5, 2008

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

Dear Mr. Odiorne:

I am in receipt of your letter dated August 29, 2008 addressed to me, and the two draft reports enclosed with that letter, namely 1) *Financial Examination of the Charitable Gift Annuity Business of Wesley Homes* and 2) *Financial Examination of the Charitable Gift Annuity Business of Wesley Homes Foundation*. The purpose of this letter is to provide the response of Wesley Homes (WH) and Wesley Homes Foundation (WHF) to the Instructions the Office of Insurance Commissioner (OIC) provided to WH and WHF in these draft reports.

A. WESLEY HOMES DRAFT REPORT

The WH draft report, *Financial Examination of the Charitable Gift Annuity Business of Wesley Homes*, contains one Instruction. This Instruction is the same as the second Instruction given in the WHF draft report, and the response of WH and WHF to this Instruction is provided in section B below.

B. WESLEY HOMES FOUNDATION DRAFT REPORT

The WHF draft report, *Financial Examination of the Charitable Gift Annuity Business of Wesley Homes Foundation*, contains three Instructions. WHF's responses to these Instructions are provided in the following paragraphs.

1. CGA Reserves

WHF is instructed to increase by an additional 10% of the actuarial reserve calculated for the separate reserve fund in compliance with RCW 48.38.020(3)(c).

As indicated in the Actuarial Opinion for 2007 that was provided to the OIC with our 2007 CGA Annual Report, the actuarial value of WHF's CGA obligations is \$1,314,868. Restricted assets of \$1,446,355, equal to 110% of the obligation, were recognized in Wesley Homes' 2007 audited

815 South 216th Street
Des Moines, WA 98198

Phone 206.824.5000

Fax 206.870.1209

www.wesleyhomes.org

financial statements. Liabilities of \$1,446,355 were also recognized in these audited financial statements.

2. Separate Reserve Fund

WHF is instructed to comply with RCW 48.38.020(1) and transfer the balance in the gift annuity checking account into a new account established for WHF.

The Gift Annuity checking account, account number 68387604, is a sub-account under the main Wesley Homes Foundation account, account number 74571704. Both accounts are identified with the Federal Employer Identification Number 91-1732317, which is the EIN for WHF.

It is important to recognize that WH and WHF determine the value of the assets of the WHF CGA Business as equal to the value of the CGA liability, in turn equal to 110% of the actuarial value of the WHF CGA obligations. The market value of securities in the CGA account we maintain with an investment advisor exceeds this amount; the excess amount in that account, together with the balance in the CGA checking account, is treated as an unrestricted asset of WHF, not an asset of the CGA Business.

3. Assets of the Separate Reserve Fund

WHF is instructed to comply with RCW 48.38.020(2)(c) and ensure that the assets of the separate reserve fund are not liable for any debts of WHF other than those incurred pursuant to the issuance of charitable gift annuities.

Wesley Homes has received a release from the guaranty that WHF and other Wesley entities provided to support issuance of bonds in 2005 for the construction of a new facility. A copy of this release is attached.

Mr. James Odiorne
September 5, 2008
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Please feel free to call me at (206) 870-8712 if you have any questions or comments or require any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald J. Moe". The signature is fluid and cursive, with the first name being the most prominent.

Ronald J. Moe
Chief Financial Officer
Wesley Homes
815 S. 216th St.
Des Moines, WA 98198
Office: (206) 870-8712
Cell: (206) 953-5681
Fax: (206) 870-1201
rmoe@wesleyhomes.org

cc: Kari Keller, Wesley Homes Foundation
Bonnie Kooser, Wesley Homes