



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 08-86
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
WASHINGTON SURVEYING AND)	AND ORDER ADOPTING REPORT
RATING BUREAU)	OF EXAMINATION

BACKGROUND

An examination of the financial condition of the **WASHINGTON SURVEYING AND RATING BUREAU** (the Bureau) as of December 31, 2006, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). 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, comments and recommendations was transmitted to the Bureau for its comments on April 16, 2008. The Bureau'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 Bureau.

Subject to the right of the Bureau 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 2 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 the **WASHINGTON SURVEYING AND RATING BUREAU** and to order the Bureau to take the actions described in the Comments and Recommendations section of the report. The Commissioner acknowledges that the Bureau may have implemented some of the Comments and Recommendations prior to the date of this order. The Comments and Recommendations in the report are appropriate responses to the matters found in the examination.

ORDER

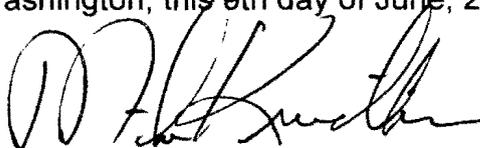
The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Bureau is ordered as follows, these being the Comments and Recommendations contained in the examination report on pages 1-2.

1. It is ordered that the Bureau consider developing a formal investment policy. It is also ordered that the Bureau's Board of Directors consider reviewing and approving all purchases and sales of investments on a quarterly basis. Comments and Recommendations 1, Examination Report, page 1.
2. Pursuant to the NAIC Financial Condition Examiners Handbook exposure index, it is ordered that the Bureau consider increasing employee dishonesty and theft coverage to the suggested minimum amount of \$100,000. In addition, it is ordered that the Bureau consider including coverages for the following risks in the policy: forgery and alteration of written documents and handwritten signatures (including facsimile); securities and other instruments; counterfeit currency and money orders; and computer fraud. Comments and Recommendations 2, Examination Report, page 1.
3. It is ordered that the Bureau consider preparing a formal, written business continuity 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 the NAIC. Comments and Recommendations 3, Examination Report, page 2.
4. It is ordered that the Bureau 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 4, Examination Report, page 2.

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

ENTERED at Olympia, Washington, this 9th day of June, 2008.

A handwritten signature in black ink, appearing to read "Mike Kreidler". The signature is fluid and cursive, with a large initial "M" and "K".

MIKE KREIDLER
Insurance Commissioner

April 28, 2008

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

RE: Financial Examination Report of the Washington Surveying and Rating Bureau
as of December 31, 2006

RECEIVED
APR 30 2008
INSURANCE COMMISSIONER
COMPANY DIVISION

Dear Mr. Odiorne:

Please find enclosed with this letter the response from the Washington Surveying and Rating Bureau (WSRB) to the Office of the Insurance Commissioner's Financial Examination report of WSRB as of December 31, 2006.

WSRB has no disagreements with the factual material presented in the reports. Further, WSRB has no disagreements as to the reasonableness of the recommendations from the OIC's examination team. As will be apparent from the response by WSRB, we have begun work to address the recommendations and have already complied with the recommendations concerning insurance coverage and an investment policy. We are working to improve our Business Contingency and Disaster Recovery Plans.

Please feel free to contact me with any questions you may have concerning this letter or the attached response to the OIC report and recommendations.

Sincerely,


Brian G. Upton-Rowley

cc: Vernon Stoner, Chief Deputy Insurance Commissioner
Patrick McNaughton, Chief Examiner

Following is the response from the Washington Surveying and Rating Bureau (WSRB) to the Comments and Recommendations resulting from the recently completed financial examination of WSRB as of December 31, 2006, by the state of Washington Office of the Insurance Commissioner.

Acknowledgement

The WSRB wishes to acknowledge the professionalism and thoroughness of the Office of the Insurance Commissioner examination team, both in the way the examination was conducted and their personal conduct in our offices. We appreciated the effective working relationship established during the examination process.

Instructions

WSRB notes there were no instructions required as a result of the examination.

Comments and Recommendations

1. Investment Policy and Approval of Investments by the Board

Recommendation: It is recommended that the Bureau develop a formal investment policy. It is also recommended that the Board of Directors review and approve all purchases and sales of investments on quarterly basis.

Response: The Board of Directors of WSRB approved an investment policy at their April 21, 2008 meeting. The investment policy memorializes the Bureau's practice of only investing in FDIC insured certificates of deposit and money market funds. The Board of Directors will also review and approve purchase and sale transactions as part of their quarterly meeting agenda. They reviewed the first quarter purchase and sale transactions at the April 21, 2008 meeting.

2. Employee Dishonesty and Theft Coverage

Recommendation: Based on the Financial Condition Examiners Handbook exposure index, it is recommended employee dishonesty and theft coverage be increased to the suggested minimum amount of \$100,000. In addition, coverages for the following risks should be included in the policy:

- **Forgery and alteration or written documents and handwritten signatures (including facsimile);**
- **Securities and other instruments;**
- **Counterfeit currency and money orders;**

- **Computer fraud.**

Response: A commercial crime policy has been obtained as part of the corporate insurance program which increases limits to \$500,000 and includes the following coverages: Employee Theft, Premises, In Transit, Forgery, Computer Fraud, Funds Transfer Fraud, Money Orders, Credit Card Fraud, Client Coverage, and Expense Coverage (the limit for this coverage is \$250,000). This policy is effective April 30, 2008.

3. Business Contingency Plan

Recommendation: It is recommended that the Bureau prepare a formal, written business continuity 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.

Response: The Federal Department of Homeland Security's Ready Business guide for contingency planning has been the primary resource used for development of the Bureau's continuity plan. We acknowledge additional effort by the Bureau is needed to complete business contingency planning over financial services, telecommunication services, and data processing services. The Bureau will include guidance available from the NAIC in its planning activities.

4. Disaster Recovery Plan

Recommendation: It is recommended that the Bureau write, test, and implement a disaster recovery plan that includes appropriate escalation procedures to resolve operational failures in a timely manner, as recommended by NAIC Guidelines.

Response: Although the Bureau has made significant progress and a significant investment of its assets over the last few years to position equipment in a co-location facility and develop a remote back-up location, we acknowledge a Disaster Recovery Plan has not been fully documented or tested. The Bureau will include use of the NAIC Guidelines in writing, testing and implementing its disaster recovery plan.