



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 09-16
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
CONTRACTORS BONDING AND)	AND ORDER ADOPTING REPORT
INSURANCE COMPANY)	OF FINANCIAL EXAMINATION
)	
A Domestic Insurer.)	

BACKGROUND

An examination of the financial condition of **CONTRACTORS BONDING AND INSURANCE COMPANY** (the Company) as of December 31, 2007, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. 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 29, 2009. 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 **CONTRACTORS BONDING AND INSURANCE COMPANY** 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.

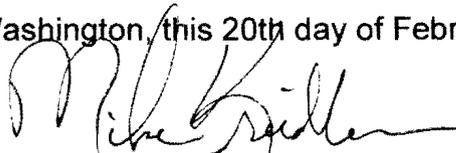
The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-4.

1. The Company is ordered to comply with Chapter 63.29 RCW and with RCW 48.07.030 by complying with appropriate state statutes for reporting and remitting any property considered unclaimed. Instruction 1, Examination Report, page 2.
2. The Company is ordered to comply with both SSAP No. 25 and SSAP No. 96 and with RCW 48.31B.025(2)(c)(v) and RCW 48.31B.030(1)(b) in accordance with the Holding Company Act by drafting an Intercompany Expense Sharing Agreement and properly filing the Intercompany Expense Sharing Agreement with the OIC. Instruction 2, Examination Report, page 2.
3. The Company is ordered to file the Data and Staff Services Company Executive Retirement Plan with the OIC as required by RCW 48.31B.025(2)(c) and RCW 48.31B.030(1)(b). Instruction 3, Examination Report, page 2.
4. The Company is ordered to comply with WAC 284-07-050(2) which requires adherence to the NAIC Accounting Practices and Procedures Manual which requires an entire contract clause in reinsurance agreements. Instruction 4, Examination Report, page 3.
5. The Company is ordered to comply with RCW 48.05.073 and WAC 284-07-050(2) by complying with SSAP No. 10, SSAP No. 25, and SSAP No. 96 by amending the Federal Tax Sharing Agreement to include a specified due date for settling its federal tax obligations and settling any income tax accounts within the required time frame. Instruction 5, Examination Report, page 3.

6. The Company is ordered to comply with WAC 284-07-050(2) which requires adherence to the NAIC Accounting Practices and Procedures Manual, SSAP No. 62, paragraph 8d, by amending the Multiple Line Excess of Loss Reinsurance Treaty to include settlements no less frequently than on a quarterly basis. Instruction 6, Examination Report, page 3.
7. The Company is ordered to consider documenting its investment policy in writing. Comments and Recommendations 1, Examination Report, page 3.
8. The Company's IT Department is ordered to consider updating its System Development Life Cycle Manual, Systems Design Standard Manual, Programming Standards Manual and the Document Standards Manual to provide an audit trail for IT processes, procedures and internal controls. Comments and Recommendations 2, Examination Report, page 4.
9. The Company is ordered to consider preparing a formal, written business continuity plan that addresses the continuation of all significant business activities. Such a plan should include manual processing procedures that would be implemented until IT functions have been restored. The business continuity and disaster recovery plans should be tested annually. 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 20th day of February, 2009.



MIKE KREIDLER
Insurance Commissioner



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INSURANCE COMMISSIONER
COMPANY SUPERVISION

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February 17, 2009

Mr. James Odiorne
State of Washington
Office of Insurance Commissioner
P.O. Box 40255
Olympia, WA 98501

Dear Mr. Odiorne:

Please allow this letter to serve as confirmation that the Report of the Financial Examination of Contractors Bonding and Insurance Company is factually correct and accurately reflects the financial condition of the Company as of December 31, 2007.

The Company will take corrective action to ensure that all items noted in the 'Instructions' section of the Report are handled properly.

If you have any questions, or if I can assist you in any manner, please don't hesitate to call me at (206) 628-7233.

Very Truly Yours,

Contractors Bonding and
Insurance Company

Robert M. Ogle
Treasurer