



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 09-38
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
COLUMBIA UNITED PROVIDERS, INC.)	AND ORDER ADOPTING REPORT
)	OF FINANCIAL EXAMINATION
)	
A Domestic Health Care Service Contractor.)	

BACKGROUND

An examination of the financial condition of **COLUMBIA UNITED PROVIDERS, INC.** (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 registration as a stock 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 March 16, 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 11 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 **COLUMBIA UNITED PROVIDERS, INC.** 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

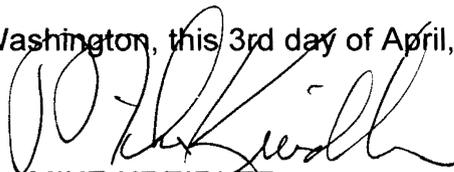
The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

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

1. The Company is ordered to file an accurate statement of its financial condition, transactions, and affairs pursuant to RCW 48.43.097 which requires the filing of its financial statements in accordance with the AP&P; and with WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the AP&P. Instruction 1, Examination Report, page 2.
2. The Company is ordered to consider testing the business continuity plan at least annually as recommended by the NAIC. Comments and Recommendations 1, Examination Report, page 2.

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 3rd day of April, 2009.


MIKE KREIDLER
Insurance Commissioner



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INSURANCE COMMISSIONER
COMPANY SUPERVISION

March 19, 2009

James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
5000 Capitol Blvd.
Tumwater, WA 98501

RE: Financial Examination Report of Columbia United Providers
As of December 31, 2007

Dear Mr. Odiorne:

Columbia United Providers (CUP) is in receipt of the draft Financial Examination Report as of December 31, 2007, delivered to us under cover letter dated March 16, 2009. Please find below CUP's responses to the Report. The Report findings are shown in italics, followed by our responses.

Instructions

1.a. Uncovered Claims Unpaid

The Company reported additional liability items on Page 3, Line 1, Column 2, of the 2006 and 2007 NAIC Annual Statements that did not meet the definition for "Uncovered expenditures" as required by the NAIC Annual Statement Instructions, and as defined by RCW 48.44.010(7).

CUP will comply with the Instructions in filing all future filings. This misclassification had no effect on total liabilities, and no effect on capital and surplus.

1.b. Unpaid Claims Adjustment Expenses

The Company's estimate of "Unpaid claims adjustment expenses" was not within a reasonable range. The Company did not include cost containment expenses and pharmacy drug expenses in developing the estimated unpaid claims adjustment expenses as required by SSAP No. 55, paragraph 5c. The amount was immaterial; therefore, no examination adjustment is necessary.

CUP believes that the method it used to estimate unpaid claims adjustment expenses is reasonable and notes no examination adjustment was proposed. Pharmacy drug administrative expenses will be included in the estimate development in all future periods.

1.c. Claims Adjustment Expense Misclassification

Payments made to the Company's pharmacy benefits services provider consisted of two parts, actual "Prescription drugs" expense and "Claims adjustment expenses" categorized as cost containment expense. The Company reported in error the combined total as "Prescription drugs" expense. Due to immateriality, no examination reclassification was necessary.

CUP will properly classify the pharmacy administration expenses as cost containment expense in all future filings.

Comments and Recommendations

Business Continuity Plan

It is recommended that the Company test the business continuity plan at least annually as recommended by the NAIC.

CUP will follow this recommendation in 2009 and future years.

Management and Control

Officers

Under the Officers list as of December 31, 2007, we suggest adding the following officers as elected by the Board of Directors:

Lisa Jo Morrison, MD
John David White

Chairman
Vice Chairman

Thank you for the opportunity to present this response to the draft Financial Report.

Sincerely,



Ann Wheelock
President & CEO

Cc: Vernon E. Stoner, Chief Deputy Insurance Commissioner
Patrick H. McNaughton, Chief Examiner