



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 10-155
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
WASHINGTON CASUALTY COMPANY)	AND ORDER ADOPTING REPORT
)	OF FINANCIAL EXAMINATION

A Domestic Insurer.

BACKGROUND

An examination of the financial condition of **WASHINGTON CASUALTY COMPANY** (the Company) as of December 31, 2009, 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 July 28, 2010. 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 13 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 **WASHINGTON CASUALTY 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.

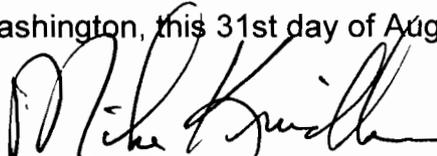
The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-3.

1. The Company is ordered to comply with RCW 48.05.250 by filing its financial statements in the general form and context approved by the NAIC and 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 execute a revised or amended custodial agreement that complies with the FCEH and RCW 48.13.480(2). The Company is also ordered to comply with RCW 48.05.250 by filing a true statement of its financial condition, transactions and affairs and to follow the NAIC Annual Statement Instructions and the AP&P, as required by WAC 284-07-050(2). Instruction 2, Examination Report, page 2.
3. Pursuant to RCW 48.13.340, the Company is ordered to obtain and document approval by the BOD for all investment transactions. RCW 48.13.350(1) requires a permanent written record of investment transactions be kept and authorized by an officer or by the chairman of the committee authorizing the investment. Instruction 3, Examination Report, page 2.
4. It is ordered that the Company consider formalizing in writing its expense allocation procedure to reflect the allocation process. Comments and Recommendations 1, Examination Report, page 2.

5. It is ordered that the Company consider amending its Articles of Incorporation to conform to the minimum requirements of RCW 48.06.200 in order to ensure accurate information and to eliminate unnecessary information. Comments and Recommendations 2, Examination Report, page 3.

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 31st day of August, 2010.


MIKE KREIDLER
Insurance Commissioner



Washington Casualty Company

August 17, 2010

RECEIVED

AUG 18 2010

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

**INSURANCE COMMISSIONER
COMPANY SUPERVISION**

RE: Draft Examination Report of Washington Casualty Company as of December 31, 2010, NAIC #42510

Dear Mr. Odiorne:

We have reviewed your draft Financial Examination Report of Washington Casualty Company ("Company") as of December 31, 2009. This communication is in response to the content of that draft.

The following items are in response to your Instructions and Comments and Recommendations. We will present our comments in the same order as they are presented in the draft report.

INSTRUCTIONS

1. NAIC Annual Statement Errors, Omissions, and Misclassifications. The Company has and will seek to continue to comply with the applicable RCW provisions and Annual Statement Instructions. The identified errors have been corrected in the quarterly statement for the period ending June 30, 2010. The correction of these items did not cause a change in the financial results of the Company.
2. Custodial Agreement Deficiencies. The Company agrees with the finding of deficiencies in the custodial agreement with Comerica Bank. We will be working with Mr. Hays, OIC Investment Specialist to revise and/or amend the agreement as instructed to comply with the FCEH and RCW 48.13.180(2). We anticipate this will be completed by the end of the year.
3. Approval of Investment Transaction. The Company has made the appropriate arrangements to assure the investment transactions are approved by the Board of Directors. The Board has delegated this responsibility to the Investment Committee of ProMutual Group and will record their approval at regular quarterly Board meetings in compliance with RCW 48.13.340 and will maintain written record of such approval as required by RCW 48.13.350(1).

COMMENTS AND RECOMMENDATIONS

1. Intercompany Expense Allocation. It was recommended that the Company formalize in writing its expense allocation procedure. We are currently reviewing the assumptions and analysis used in allocating expense among the members of our group and will document our procedure prior to the filing of our 2010 annual statement.
2. Articles of Incorporation. It was recommended that the Company update its Articles of Incorporation, specifically to update its address and remove the name and address of the registered agent. The Company will make the suggested changes the next time the documents are amended.

It has been discovered the draft contains one error, a change in strategic direction, and other additional information has become available which should be disclosed as Subsequent Events. John Karlen was named President and Chief Operating Officer effective July 19, 2010. Effective May 20, 2010 Paul Traynor was named Assistant Secretary, and effective June 14, 2010 Amy Irish was named Controller and Assistant Treasurer. Lastly, the draft report states the Company is withdrawing its license in Nevada. The Company has no immediate plans to begin writing business in Nevada, but does not intend to surrender its Certificate of Authority.

We express our appreciation to you and your staff for the efforts involved with this examination and for the attention the Office of Insurance Commissioner has given to the Company.

Best regards,



John Karlen
President & COO

CC: Rick Hayes, Vice President & CFO, ProMutual Group
Amy Irish, Controller
Verne Rambo, Director