



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of	)	No. 12-172
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
<b>VISION SERVICE PLAN</b>	)	AND ORDER ADOPTING REPORT
	)	OF FINANCIAL EXAMINATION
	)	

A Registered Limited Health Care Service Contractor.

**BACKGROUND**

An examination of the financial condition of **VISION SERVICE PLAN**, (the Company) as of December 31, 2010, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of registration as a limited 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 June 5, 2012. 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 14 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 **VISION SERVICE PLAN** 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.

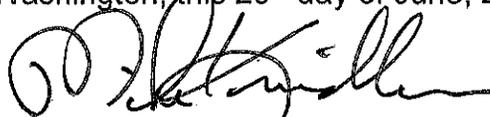
The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-4.

1. The Company is ordered to comply with RCW 48.03.030(1), RCW 48.31C.070(1), and WAC 284-30-650 by facilitating the examination, producing information timely, and making freely accessible to the examiners requested books, accounts, records, documents, and files. Instruction 1, Examination Report, page 2.
2. The Company is ordered to comply with RCW 48.31C.050(2) and WAC 284-18A-420 by properly filing agreements subject to the Holding Company Regulation. Instruction 2, Examination Report, page 2.
3. The Company is ordered to comply with RCW 48.43.097 and RCW 48.44.095 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 3, Examination Report, page 3.
4. The Company is ordered to execute a revised or amended custodial agreement that complies with the FCEH and RCW 48.13.480. The Company is also instructed to comply with RCW 48.43.097 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 4, Examination Report, page 3.

5. The Company is ordered to comply with the NAIC Annual Statement Instructions as required by WAC 284-07-060(2)(a) by ensuring that the Company's Actuarial Memorandum accurately describes the specific components and the calculation methodology for Aggregate Health Policy Reserves. Instruction 5, Examination Report, page 3.
6. It is ordered that the Company consider adequately estimating unpaid claims reserves based on the estimated cost of settling claims, using past experience adjusted for current trends, and any other factors that would modify past experience, which includes monitoring its claims outcomes and identifying adverse claims trends early that may impact reserve development. Comments and Recommendations 1, Examination Report, page 4.
7. It is ordered that the Company consider completing a business impact analysis and annually testing the business continuity and disaster recovery plans. Effective January 1, 2011, the Company is required by RCW 48.07.203 and WAC 284-16-710 to test the plans at least 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 28<sup>th</sup> day of June, 2012.



MIKE KREIDLER  
Insurance Commissioner



RECEIVED

JUN 27 2012

INSURANCE COMMISSIONER  
COMPANY SUPERVISION

June 26, 2012

Mr. James T. Odiorne, CPA, JD  
Deputy Insurance Commissioner  
State of Washington, Office of Insurance Commissioner  
5000 Capitol Blvd.  
Tumwater, WA 98501

**RE: Financial Examination Report of Vision Service Plan (the "Company") as of  
December 31, 2010**

Dear Mr. Odiorne,

Vision Service Plan hereby acknowledges receipt of the draft examination report as of December 31, 2010. Following is the Company's response to the Instructions and Comments and Recommendations noted on pages 1 through 4 of the report (numbering corresponds to the order of numbering on the report):

Exceptions noted while performing the review:

1. The Company makes every effort to respond to requests in a timely manner and overall, the Company believes that most of the requests for information were timely. At the time of the Department's examination, the Company had multiple state examinations in progress at the same time and several examiners with multiple requests for information. In addition, the Company believes that requests related to other companies and not the company being examined as well as more clarity regarding certain requests may have improved the response times. The Company will continue to make every effort to respond in a timely manner in the future.
2. The Company will ensure compliance with the Form D filing requirements as recommended in the future.
3. As the Department has stated, none of the items identified were material to the financial statements and as a result no examination adjustments were necessary. The Company will continue to make every effort to ensure conformity to the NAIC Annual Statement Instructions and the AP&P for future filings.
4. The Company is currently working with the Department and Wells Fargo to address each party's concerns related to the Custodial Agreement. The Company is confident that both can reach some agreement.
5. The Company reviewed the actuarial requirements with its actuary and will disclose the components of the aggregate health policy reserves if necessary in the future.

Mr. James T. Odiorne, CPA, JD  
State of Washington, Office of Insurance Commissioner  
Page 2.

Comments and recommendations:

1. The Company is in compliance with SSAP No. 55, paragraph 8. The unpaid claim reserves are stated at the Company's best estimate of the ultimate cost of settling claims using past experience adjusted for current trends. Although the Company's estimate was understated by approximately \$124,000, the amount was not material to the financial statements and as a result did not require examination adjustment.
2. The Business Impact Analysis has been completed and the Business Continuity Plan and Disaster Recovery Plan test is scheduled for Q3.

Thank you for the opportunity to respond to your comments. Please contact me if you have any questions.

Sincerely,



Laura Olson  
Director of Finance  
Regulatory Accounting  
(916) 858-7440