MARKET CONDUCT EXAMINATION

PACIFIC VISIONCARE WASHINGTON INC.

2517 NE KRESKY AVENUE
CHEHALIS, WA 98532

January 1, 2004 – March 31, 2005

Exhibit A
Order No. G06-14
Pacific Visioncare Washington, Inc.

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The Honorable Mike Kreidler
Washington State Insurance Commissioner
302 14th Avenue SW
P.O. Box 40258
Olympia, Washington 98504-0258

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.44.145 and procedures promulgated by the National Association of Insurance Commissioners and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs has been performed of:

Pacific Visioncare Washington Inc., NAIC #47100
2517 NE Kresky Avenue
Chehalis, Washington 98532

In this report, Pacific Visioncare Washington Inc. is referred to as PVC or as the Company.

This report of examination is respectfully submitted.

CHIEF EXAMINER'S REPORT CERTIFICATION and ACKNOWLEDGEMENTS

This examination was conducted in accordance with Office of Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. Nancy L. Campbell, AIE, ACS, Jeanette M. Plitt, CLU, and Richard E. Zamudio of the Washington State Office of Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended by the personnel of Pacific Visioncare Washington Inc. and Trusteed Plans Service Corporation during the course of this market conduct examination.

I certify that this document is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of Insurance Commissioner and that this report is true and correct to the best of my knowledge and belief.

_____

Leslie A. Krier, AIE, FLMI
Chief Market Conduct Examiner
Office of the Insurance Commissioner
State of Washington

FOREWORD

This examination was completed by applying tests to each examination standard. Each test applied during the examination is stated in this report and the results are reported. Exceptions are noted as part of the comments for the applied test. Throughout the report, where cited, RCW refers to the Revised Code of Washington. and WAC refers to Washington Administrative Code.

Scope

Time Frame

The examination covered the Company's operations from January 1, 2004 through March 31, 2005. This was the first market conduct examination of Pacific Visioncare Washington Inc. This examination was performed in the Seattle OIC office and at the office of Trusteed Plans Service Corporation, the Company's third party administrator.

Matters Examined

The examination included a review of the following areas:

Claims
Rate and Form Filing
Agent Activity
Provider Activity
Underwriting
Administrative Contracts

Sampling Standards

Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92 %	Confidence Level
+/- 5 %	Mathematical Tolerance

Regulatory Standards

Market conduct samples are tested for compliance with standards established by the OIC. The tests applied to sampled data will result in an error ratio, which determines whether or not a standard is met. If the error ratio found in the sample is, generally, less than 5%, the standard will be considered as met. The standards in the area of agent licensing and appointment, and policy and form filings will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample.

For those standards, which look for the existence of written procedures, or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the company follows established procedures.

Standards will be reported as Passed (without Comment), Passed with Comment or Failed. The definition of each category follows:

Passed	There were no findings for the standard.
Passed with Comment	Errors in the records reviewed fell within the tolerance level for that standard.
Failed	Errors in the records reviewed fell outside of the tolerance level established for the standard.

COMPANY OPERATIONS AND MANAGEMENT

Company History

Pacific Visioncare Washington, Inc. (PVC) was formed in 1999 and is licensed as a limited health care service contractor with the Office of Insurance Commissioner. Its certificate of registration was issued on November 10, 1999.

The Company issues group vision care policies. PVC began marketing its voluntary group vision product in August 2000. In August 2001, the Company began marketing its traditional group vision product. Pre-paid vision care benefits are delivered by contracted optometrists. PVC utilizes the Pacific Eyecare, Inc. network of optometrists for its preferred providers.

PVC has two (2) affiliates that are responsible for company operations. Provider activity and contracting are conducted by Pacific Eyecare Network. Management services are conducted through Pacific Cataract & Laser Institute.

PVC outsourced its plan administration to Trusteed Plans Service Corporation (TPSC). TPSC provides billing, claims processing, and customer service for the Company.

Company Management & Operations

Robert O. Ford, sole shareholder of Pacific Visioncare Washington, Inc., is the only director serving the Company. Debbie J. Eldredge is currently serving as president of PVC.

The market conduct examiners did not review PVC's registration documents. These documents were reviewed as part of the OIC's financial examination for the period ending December 31, 2004. The financial examiners found PVC complies with this standard and there were no issues noted.

Findings

The following Company Operations & Management Standards passed without comment:

#	Company Operations & Management Standard	Reference
1	**The company is required to be registered with the OIC prior to acting as a health care service contractor in the State of Washington.**	**RCW 48.44.015(1)**
2	**The company is required to report to the OIC any changes to the registration documents, including Articles of Incorporation, Bylaws, and Amendments at the same time as submitting such documents to the Secretary of State.**	**RCW 48.44.013**
3	**When the company registers with the OIC, it is required to state its territory of operations.**	**RCW 48.44.040**

GENERAL EXAMINATION FINDINGS

The Company's records and operations were reviewed to determine if the Company does business in accordance with the requirements of this state.

Findings

The following General Examination Standards passed without comment:

#	General Examination Standard	Reference
1	**The company does business in good faith, and practices honesty and equity in all transactions.**	**RCW 48.01.030**
2	**The company must facilitate the examination process by providing its accounts, records, documents and files to the examiners upon request.**	**RCW 48.44.145(2)**
3	**The company may not discourage members from contacting the OIC and may not discriminate against those members that do contact the OIC.**	**WAC 284-30-572(2)**

CLAIMS

Claims Procedures

PVC provided the examiners with an outline of its claims procedures. The procedures are clear, concise, and accurately describe the Company's claims process.

Claims Processing

All claims are processed by PVC's third party administrator, Trusteed Plans Service Corporation (TPSC). Approximately 90% of the Company's claims are paper claims received through the mail. Other claims are either faxed or electronically submitted. The examiners found that TPSC follows established procedures and claims are adjudicated accurately and timely. However, the examiners noted that PVC does not audit or review TPSC claim files.

Claims Review

TPSC processed 5,107 claims during the examination period. The examiners selected a random sample of 50 claims for review.

Claims Standards #2, #3, and #6, are not applicable to this examination. Pacific Visioncare is a vision only plan and does not offer prescription drugs or coordination of benefits.

The following Claims Standards passed without comment:

#	Claims Standard	Reference
1	**The company shall provide no less than urgent and**	**RCW 48.01.235(3)**

#	Claims Standard	Reference
	emergent care to a child who does not reside in the company's service area.	
4	**The company shall pay or deny claims subject to the required minimum standards. The company pays interest on undenied and unpaid clean claims that are more than 61 days old.**	WAC 284-43-321(2)
5	**The denial of any claim must be communicated to the provider or facility with the specific reason the claim was denied.**	WAC 284-43-321(4)

AGENT ACTIVITY

Agent Licensing and Appointment Procedures

During the examination period, Pacific Visioncare did not have written procedures for agent licensing and appointment. PVC relied upon the marketing general agent (MGA), under the terms of an administrative agreement, to ensure agents and brokers were properly licensed and appointed prior to soliciting business on PVC's behalf.

Subsequent Event: Effective April 1, 2005, PVC assumed licensing and appointment of all agents and implemented written procedures.

Agent Activity Review

In conjunction with the review of underwriting files, the examiners confirmed the status of agent licensing and appointment. The Company's agent licensing, appointment and affiliation records were compared to OIC records to ensure that agents were licensed and appointed prior to soliciting business on behalf of PVC. Seventy-five (75) files were reviewed:

- 15 new group policy files
- 49 inforce group policy files
- 11 terminated group files

Findings

Note: Standards #1 and #2 have a zero tolerance level.

Standard #3 was not tested in this examination. PVC did not revoke the appointment of any agents during the examination period.

The following Agent Activity Standards failed:

#	Agent Activity Standard	Reference
1	**The Company requires that agents and brokers are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the Company in any way.**	**RCW 48.17.060(1), RCW 48.17.060(2), RCW 48.44.011(2)**
2	**The Company ensures that agents are appointed to represent the Company prior to allowing them to solicit business on behalf of the Company.**	**RCW 48.17.160, RCW 48.44.011(2)**

Agent Activity Standard #1:
An Idaho resident agent signed an application for a Washington group. He did not have a valid non-resident Washington disability license. (OIC #T11, Group #85166.)

The examiners also found that the MGA was not licensed and appointed between April 30, 2003 and August 26, 2003.

Agent Activity Standard #2:
Two (2) agents did not have an appointment with the Company, nor did they have an affiliation with the agency listed on the application, prior to soliciting business on behalf of PVC. (OIC #IF04, Group #80022; OIC #IF05, Group #80037.)

RATE AND FORM FILING

Rate and Form Filing Review

In conjunction with the review of underwriting files, the examiners compared the rates and forms filed by PVC to the rates that were billed to each group and to the forms that were used. The examiners reviewed the following files:

- 15 new group policy files
- 49 inforce group policy files

Findings

The following Rate and Form Filing Standards passed without comment:

#	Rate and Form Filing Standard	Reference
2	**All rates have been filed with the Office of Insurance Commissioner prior to use.**	**RCW 48.44.040, WAC 284-43-920**
3	**All contract forms and rates have been filed with the Office of Insurance Commissioner on transmittal forms prescribed by and available from the Commissioner.**	**WAC 284-43-925**

The following Rate and Form Filing Standard passed with comment:

#	Rate and Form Filing Standard	Reference
1	All contract forms have been filed with and approved by the Office of Insurance Commissioner prior to use.	RCW 48.44.040, WAC 284-43-920

Rate and Form Filing Standard #1:
PVC filed contracts with the OIC on August 1, 2003. The contracts were approved May 12, 2004, and were effective September 1, 2003. These filings contained several material changes including mandates regarding newborn, adoptive, and disabled children eligibility and enrollment, grievance language, and language referencing eligibility during labor disputes. The examiners noted that none of the material changes were incorporated into any inforce contracts, either by issue of a new contract or amending the contracts that are in place. The examiners did confirm during review of the claims sample that all claims were processed correctly and according to the new contract language despite PVC's failure to issue updated contracts or amendments to the old contracts.

UNDERWRITING

Underwriting Procedures

PVC does not have a written underwriting procedures manual. However, the examiners were provided with the following documents for review:

- Administration Guidelines published 9/15/03
- Summary of Our Washington Plans #0604
- Answering Common Questions About Our Washington Plans #0503
- Who is Eligible?

Underwriting Process

The Company writes vision only coverage. They market two (2) plans – a traditional group membership plan and a voluntary group membership plan. The traditional group membership plan is available to groups of 5 or more employees. All employees participating in the group's medical plan must be enrolled and participation is mandatory. There is no minimum group size for the voluntary group membership plan. All full-time employees who work 30 or more hours and week are eligible for this plan and participation is optional.

A new group submits a group master application, employee enrollment forms, and the first month's premium. A group number is assigned and the group's benefit and rate information is added to the Company's computer system. Identification cards and benefit booklets are prepared and forwarded to the group along with an administration kit.

Underwriting File Review

The following is a breakdown of the total population and random samples selected for review:

Type of Business	Total Population	Sample Selected
New Business	61	15
Inforce Groups	198	49
Terminated	44	11
Total	**303**	**75**

The examiners reviewed the files to assure:

- Rates and benefits were appropriate to the group demographics.
- Members of groups were not unfairly denied coverage.
- Notifications of renewal action or termination were provided in a timely manner.
- The Company's underwriting guidelines were applied consistently throughout the sample.

Findings

Underwriting Standard # 7 is not applicable to this examination. PVC writes vision only plans.

The following Underwriting Standards passed without comment:

#	Underwriting Standard	Reference
2	**Dependent children cannot be terminated from an individual or group plan because of developmental disability or physical handicap.**	**RCW 48.44.210**
3	**All plans shall cover newborn infants and congenital anomalies from the moment of birth.**	**RCW 48.44.212(1)**
4	**No plan may deny coverage solely on account of race, religion, national origin, or the presence of any sensory, mental, or physical handicap.**	**RCW 48.44.220**
5	**Adoptive children shall be covered on the same basis as other dependents.**	**RCW 48.44.420**
6	**Dependents shall have the right to continue coverage in the event of loss of eligibility by the principal enrollee.**	**RCW 48.44.400**

The following Underwriting Standard failed:

#	Underwriting Standard	Reference
1	**The company complies with the prescribed requirements for enrollment and coverage of a child under the health plan of the child's parent.**	**RCW 48.01.235**

Underwriting Standard #1:
PVC's current contracts require the dependent child to reside with the custodial parent in order to be eligible for coverage. RCW 48.01.235(1) states a child may not be denied enrollment under the health plan of the child's parent on the grounds that the child was born out of wedlock, not claimed as a dependent on the parent's federal tax return, or does not reside with the parent or in the issuer's or insured plan's service area. Even though the contract language is incorrect, the examiners found that if asked, the Company would enroll a child as required in this statute and would pay claims correctly as well. However, once the Company realized this error, they did not take steps to notify existing members of this change nor did they take steps to amend language in new contracts or benefit booklets.

PROVIDER ACTIVITY

Provider Contracting Process

PVC utilizes the services of providers that are contracted with its affiliate, Pacific Eyecare Network, Inc. (PEN). PEN contracts with optometrists licensed throughout the State of Washington. All contracted optometrists are credentialed based on National Committee for Quality Assurance (NCQA) standards. PEN has contracted with SW Washington Credentials Verification Service to provide credentialing services.

Provider Manuals

The Company provided the examiners with its provider administrative manual. The manual outlines claim procedures, plan benefits, fee schedules and billing examples.

Provider Activity Review

PVC provided 17 listings of providers by month for the period January 2004 through May 2005. The examiners reviewed the administrative contract between PVC and PEN and reviewed the contracts between PEN and the 50 providers that were randomly selected for review from the May 2005 provider listing.

Findings

The following Provider Activity Standards passed without comment:

#	Provider Activity Standard	Reference
1	**All provider contract forms must be filed with and approved by the OIC prior to use.**	**RCW 48.44.070** **WAC 284-43-330**

The following Provider Activity Standards failed:

#	Provider Activity Standard	Reference
2	**All provider contract forms must contain and adhere to the prescribed standards.**	**WAC 284-43-320 through WAC 284-43-340**
3	**Company standards for selection of participating providers and facilities does not result in risk avoidance or discrimination by excluding providers or facilities specializing in specific treatments or located in high risk geographic areas.**	**WAC 284-43-310(1)(a) and (b)**

Provider Activity Standard #2:
Six (6) terminated provider contract files were reviewed. Neither the Company nor the participating provider provided at least 60 days written notice to each other before terminating the contract without cause as required by WAC 284-43-320(7). In addition, there was no file documentation to show that a good faith effort was made by either party to provide written notice of termination to the provider's regular patients within 15 working days.

Provider Activity Standard #3:
PVC uses providers that are contracted with its affiliate, Pacific Eyecare Network, Inc. (PEN). The examiners requested standards for provider selection from PEN and were informed by PVC that standards have not been developed.

ADMINISTRATIVE CONTRACTS

The Company provided the examiners with three (3) administrative contracts that were in place during the examination period:

- Provider Network Access Agreement between PVC and its affiliate, PEN. The Company contracted with PEN to access and uses their participating provider network in the State of Washington.
- Managing General Agent Agreement between PVC and Brown & Brown of Washington. Brown & Brown of Washington was appointed as exclusive MGA in Idaho and Washington. The contract with Brown & Brown terminated on March 31, 2005. Effective April 1, 2005, PVC assumed the duties that were previously delegated to Brown & Brown.
- Third Party Administrator Agreement between PVC and TPSC. The Company contracted with TPSC to provide administrative services including determining eligibility and benefits of members under the plan, verifying eligibility and benefits for providers of the plan, claims processing and administration, commissions, financial reporting, and utilization and membership reporting.

The examiners reviewed the administrative contracts to determine the operational functions that PVC had delegated to other parties. Two areas of concern were noted:

- The administrative agreement between PVC and Trusteed Plan Services Corporation (TPSC) states that it is PVC's responsibility to provide timely reporting of contracted providers to TPSC. During the claims review, the examiners found that six (6) of the 50 claims (12%) processed by TPSC were adjusted after initial payment. Due to PVC's failure to provide timely updates, the providers receiving payment were not identified as participating providers and contacted TPSC with information regarding their participating provider status.
- None of the contracts contain any provisions for the auditing of operations delegated to third parties. PVC does not review the operations of its administrators for accuracy, compliance, and operational uniformity.

INSTRUCTIONS AND RECOMMENDATIONS

#	INSTRUCTION	Page #
1	The Company is instructed to ensure that agents and brokers are licensed prior to allowing them to solicit business on behalf of the Company. Reference: RCW 48.17.060(1), RCW 48.17.060(2), RCW 48.44.011(2). (Agent Activity Standard #1.)	10
2	The Company is instructed to appoint agents to represent the Company prior to allowing them to solicit business. Reference: RCW 48.17.160, RCW 48.44.011(2). (Agent Activity Standard #2.)	10
3	The Company is instructed to notify its inforce groups of the material changes to its contracts. Reference: RCW 48.44.040, WAC 284-43-920. (Rate and Form Filing Standard #1.)	11
4	The Company is instructed to amend its contract language to reflect that a dependent child cannot be denied coverage because they do not reside with the enrolled parent. The Company is instructed to notify all covered members of the correct enrollment provisions no later than 90 days after the adoption of this report. Reference 48.01.235. (Underwriting Standard #1.)	12
5	The Company is instructed to provide at least 60 days written notice to a participating provider if the provider contract is being terminated without cause. The Company is instructed to assure that the provider's regular patients receive a 15 working day notice of the termination. Reference: WAC 284-43-320(7). (Provider Activity Standard #2.)	14
6	The Company is instructed to adopt standards for the selection of participating provider and facilities. Reference: WAC 284-43-310(1)(a) and (b). (Provider Activity Standard #3.)	14

#	Recommendation	Page #
1	It is recommended that the Company perform regular audits of the claims processed by its third party administrator. (Claims Processing.)	8
2	It is recommended that the Company adopt written procedures for the licensing and appointment of agents. (Agent Licensing and Appointment Procedures.)	9
3	It is recommended that the Company adopt written underwriting procedures. (Underwriting Procedures.)	11
4	It is recommended that the Company provide timely and accurate reporting of its participating providers to its third party administrator. (Administrative Contracts.)	15
5	It is recommended that the Company implement audit standards and conduct regular audits of its third party administrators to assure accuracy, compliance, and operational uniformity. (Administrative Contracts.)	15

SUMMARY OF STANDARDS

Company Operations and Management:

#	STANDARD	PAGE	PASS	FAIL
1	The company is required to be registered with the OIC prior to acting as a health care service contractor in the State of Washington. Reference: RCW 48.44.015(1).	7	X	
2	The company is required to report to the OIC any changes to the registration documents, including Articles of Incorporation, Bylaws, and Amendments at the same time as submitting such documents to the Secretary of State. Reference: RCW 48.44.013.	7	X	
3	When the company registers with the OIC, it is required to state its territory of operations. Reference: RCW 48.44.040.	7	X	

General Examination Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The company does business in good faith, and practices honesty and equity in all transactions. Reference: RCW 48.01.030.	8	X	
2	The company must facilitate the examination process by providing its accounts, records, documents and files to the examiners upon request. Reference: RCW 48.44.145(2).	8	X	
3	The company may not discourage members from contacting the OIC and may not discriminate against those members that do contact the OIC. Reference: WAC 284-30-572(2).	8	X	

Claims Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The company shall provide no less than urgent and emergent care to a child who does not reside in the Company's service area. Reference: RCW 48.01.235(3).	9	X	
2	The company shall not retrospectively deny an individual prescription drug claim that had prior authorization. Reference: RCW 48.44.465.	8	NA	
3	The company shall not deny benefits for any service performed by a denturist if the service performed was within the lawful scope of such person's license, and the agreement would have provided benefits if services were performed by a dentist. Reference: RCW 48.43.180, RCW 48.44.500.	8	NA	
4	The company shall pay or deny claims subject to the required minimum standards. The company pays interest on undenied and unpaid clean claims that are more than 61 days old. Reference: WAC 284-43-321(2).	9	X	

#	STANDARD	PAGE	PASS	FAIL
5	The denial of any claim must be communicated to the provider or facility with the specific reason the claim was denied. Reference: WAC 284-43-321(4).	9	X	
6	The company administers coordination of benefits provisions as required. Reference: Chapter 284-51 WAC	8	NA	

Agent Activity Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The Company requires that agents and brokers are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the Company in any way. RCW 48.17.060(1), RCW 48.17.060(2), RCW 48.44.011(2)	10		X
2	The Company ensures that agents are appointed to represent the Company prior to allowing them to solicit business on behalf of the Company RCW 48.17.160, RCW 48.44.011(2)	10		X
3	The Company must provide the agent with written notice of notice of revocation of appointment and send a copy to the OIC	9	NA	

Rate and Form Filing:

#	STANDARD	PAGE	PASS	FAIL
1	All contract forms have been filed with and approved by the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920.	11	X	
2	All rates have been filed with the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920.	10	X	
3	All contract form and rates have been filed with the OIC on transmittal forms prescribed by and available from the Commissioner. Reference: WAC 284-43-925.	10	X	

Underwriting:

#	STANDARD	PAGE	PASS	FAIL
1	The company complies with the prescribed requirements for enrollment and coverage of a child under the health plan of the child's parent. Reference: RCW 48.01.235.	12		X
2	Dependent children cannot be terminated from an individual or group plan because of developmental disability or physical handicap. Reference: RCW 48.44.210.	12	X	
3	All plans shall cover newborn infants and congenital anomalies from the moment of birth. Reference: RCW 48.44.212(1).	12	X	
4	No plan may deny coverage solely on account of race, religion, national origin, or the presence of any sensory, mental, or physical handicap. Reference: RCW 48.44.220.	12	X	

#	STANDARD	PAGE	PASS	FAIL
5	Adoptive children shall be covered on the same basis as other dependents. Reference: RCW 48.44.420.	12	X	
6	Dependents shall have the right to continue coverage in the event of loss of eligibility by the principal enrollee. Reference: RCW 48.44.400.	12	X	
7	All plans shall offer optional coverage for the treatment of temporomandibular joint disorders (TMJ) and maintain proof of offer as required. Reference: RCW 48.44.460, WAC 284-44-042.	12	NA	

Provider Activity:

#	STANDARD	PAGE	PASS	FAIL
1	All provider contract forms must be filed with and approved by the OIC prior to use. Reference: RCW 48.44.070, WAC 284-43-330.	13	X	
2	All provider contract forms must contain and adhere to the prescribed standards. Reference: WAC 284-43-320 through WAC 284-43-340.	14		X
3	Company standards for selection of participating providers and facilities do not result in risk avoidance or discrimination by excluding providers or facilities specializing in specific treatments or located in high risk geographic areas. Reference: WAC 284-43-310(1)(a) and (b).	14		X

PACIFIC
VISIONCARE

2535 NE Kresky Avenue, Chehalis, Washington 98532 • 800-888-1146 • (360) 740-0756 • (360) 748-9141 fax

February 6, 2006

RECEIVED
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INSURANCE COMMISSIONER
COMPANY SUPERVISION

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

RE: Pacific Visioncare Washington, Inc. (PVC) Market Conduct Examination

Dear Mr. Odiorne,

Following are our comments regarding the drafted Market Conduct Examination results.

Company Management & Operations

Marlin Gimbel serves as Vice President.

Effective 3/1/06, PVC will assume the responsibility of administering its plan in-house, terminating its contract with Trusteed Plans Service Corporation 2/28/06.

Effective 3/1/06, PVC will contract directly with its preferred providers.

Agent Activity Findings

In regards to Agent Activity Standards # 1 and # 2; PVC has implemented procedures in-house to ensure that agents are licensed and appointed prior to accepting applications. Compliance of this will be monitored closely once PVC assumes the administration of the plan on 3/1/06. In the interim, all agents are reviewed monthly to confirm that their licensure and appointment are active. The active listing is provided to TPSC on a monthly basis so that the agents name on incoming applications can be verified against this listing.

Underwriting

To ensure that contract and benefit brochure changes are sent to the active groups and members once approved by OIC, PVC will assume the responsibility of mailing the updates directly to the Employer Groups.

Provider Activity

PVC revised the Provider Agreements and submitted to OIC for approval 1/12/06, with a scheduled effective date of 3/1/06.

In reference to Standard #2: Procedures have been put in place to ensure that Providers are requested to provide patient names of PVC members so that PVC can directly notify members of the Provider's pending termination.

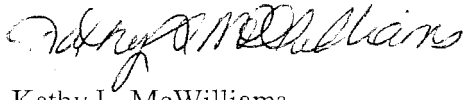
In reference to Standard #3: PVC has developed standards for the selection of its Optometric panel which are described in the Doctor's Services and Responsibilities section of the Provider Agreement.

It was a pleasure working with Nancy L. Campbell, AIE, ACS, Jeanette M. Plitt, CLU, Richard E. Zamudio and Leslie A. Krier, AIE, FLMI of the Washington State Office of Insurance Commissioner. Undergoing the Market Conduct Examination provided excellent training for the PVC staff; improving our understanding of the WAC and RCW regulations which are applicable to our operation. Our established policies and procedures reflect this understanding.

Please don't hesitate to contact me if you have any questions.

Sincerely,

Pacific Visioncare Washington, Inc.



Kathy L. McWilliams
Finance Director

cc: Debbie Eldredge, President
Marlin Gimbel, Vice President