MARKET CONDUCT EXAMINATION

VISION SERVICE PLAN

600 UNIVERSITY STREET, SUITE 2004
SEATTLE, WA 98101

January 1, 2004 – June 30, 2005

Vision Service Plan
Order No. G06-57
Exhibit A

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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:

Vision Service Plan, NAIC #47317
600 University Street, Suite 2004
Seattle, Washington 98101

In this report, Vision Service Plan is referred to as VSP 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, and Jeanette M. Plitt, CLU 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 Vision Service Plan 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 June 30, 2005. This was the first market conduct examination of Vision Service Plan. This examination was performed in the Seattle OIC office and at the Company's office in Rancho Cordova, California.

Matters Examined

The examination included a review of the following areas:

Claims
Rate and Form Filing
Underwriting
Provider Activity
Complaints

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

Vision Service Plan of Washington (VSP) was originally incorporated as Washington Vision Services, Inc. in March 1959. The Company was registered as a health care service contractor on March 31, 1961. On June 7, 1968, the legal name of the corporation was changed to Western Vision Services. The Company's health care service contractor certificate of registration was converted to a limited health care service contractor certificate on October 18, 1990. On April 11, 1990, the legal name was changed again to Vision Service Plan.

Vision Service Plan of Washington is a controlled and managed subsidiary of the California corporation, Vision Service Plan. The Company provides group vision care plans.

Company Management & Operations

Vision Service Plan is governed by a seven (7) member board of directors. Roger J. Valine is currently serving as Chief Executive Office of VSP. The current members of the board are:

Board Member	Term Began	Term Expires
Roger J. Valine	3/4/91	10/18/07
Patricia Cochran	3/4/91	10/18/07
Gary N. Brooks	3/4/91	10/18/07
L. Donald Price	3/4/91	10/18/07
Richard W. Steere	1/4/93	10/18/07
Walter Grubbs	1/16/95	10/18/07
Cheryl Johnson	8/20/01	10/18/07

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

Vision Service Plan provided the examiners with an outline of its claims procedures and its appeals process. The procedures are clear, concise, and accurately describe the processes to adjudicate claims. The Company provided on site use of its claims system and successfully demonstrated that consistent, accurate, non-discriminatory claim procedures and policies are in place.

Claims Processing

Each provider electronically posts claims to VSP's claims processing system. Outside referral claims are received either by mail or fax and manually entered into the claims processing system. All claims are processed at the central administration office in Rancho Cordova, California.

Claims Review

The Company processed 144,937 claims during the examination period. There were 139,741 paid claims and 5,196 denied claims. The examiners reviewed a total of 100 claims (96 paid claims and four (4) denied claims).

Findings

Claims Standards #2 and #3 were not applicable to this examination. These standards do not apply because VSP is a limited health care service contractor that writes group vision contracts only.

Claims Standard #6 was not applicable to this examination. The Company's contracts state that VSP does not coordinate benefits.

The following Claims Standards passed without comment:

#	Claims Standard	Reference
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.**	**RCW 48.01.235(3)**
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)**

COMPLAINTS

Complaint Procedures

The Company provided the examiners with two (2) documents: Member Claim/Authorization Appeal Policy and Procedure and the VSP Provider Reference Manual. Both documents explain the steps required to record and handle complaints in a thorough and timely manner.

Complaint File Review

VSP provided a database of 270 complaints. The examiners selected a random sample of 30 complaints for review. Twenty-seven (27) of the complaints were direct with VSP and three (3) of the complaints were filed with the OIC.

Findings

The following Complaint Standards passed without comment:

#	Claims Standard	Reference
1	**The company has filed a copy of its procedures for review and adjudication of complaints with the OIC.**	**RCW 48.43.055**

#	Claims Standard	Reference
2	**The company must have a fully operational, comprehensive grievance process.**	**RCW 48.43.530**
3	**Response to communications from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested by the OIC.**	**WAC 284-30-650, Technical Advisory T 98-4**
4	**The company complies with procedures for health care service review decisions.**	**WAC 284-43-620**

RATE AND FORM FILING

Rate and Form Filing Review

Companies are required to file rates and forms with the OIC prior to use. The examiners reviewed 50 groups that were also reviewed for the underwriting section of this examination. The files were reviewed to assure:

- The premium rates charged and quoted to groups were based on the rates and factors filed with the OIC.
- The groups were issued contract forms that had been filed with and approved by the OIC.

Thirty-one (31) of the 50 groups renewed coverage during the examination. The renewal rates were reviewed as well.

There were three (3) standard contracts and two (2) rates filings that were in use during the examination period.

Findings

The following Rate and Form Filing Standard passed without comment:

#	Rate and Form Filing Standard	Reference
3	**All contract forms and rates have been filed with the OIC on transmittal forms prescribed by and available from the Commissioner.**	**WAC 284-43-925**

The following Rate and Form Filing Standards failed:

#	Rate and Form Filing Standard	Reference
1	**All contract forms have been filed with and approved by the OIC prior to use.**	**RCW 48.44.040, WAC 284-43-920**
2	**All rates have been filed with the OIC prior to use.**	**RCW 48.44.040, WAC 284-43-920**

Rate and Form Filing Standard #1:

Twenty-two (22) groups were issued contracts on form number VSP-CA-WA02. This contract was not filed with the OIC.

Twenty-four (24) groups were issued contracts with filed form numbers (either VSP-GVCP-WA03 OR VSP-GVCP-WA05). However, subsequent pages in the contracts were found to differ from the filed versions.

Contract endorsements/riders were not routinely retained in the group files. The contract endorsements/riders that were retained in the group files were not issued with OIC filed form numbers. See Appendix 1.

Rate and Form Filing Standard #2:

VSP filed the Small Business Rate Program, designed to enhance sales in the under 25 life market at reduced rates, with the OIC on 03/10/05. The rates were approved 03/31/05. Six (6) groups were issued rates under the Small Business Rate Program, prior to the rates being filed with the OIC.

One (1) group was issued negotiated/experience rates that were not filed with the OIC.

One (1) group was issued voluntary rates that were not filed with the OIC. See Appendix 2.

UNDERWRITING

Underwriting Procedures

VSP provided two (2) underwriting documents for review: Underwriting Reference Manual (January 2005) and Underwriting Process (Updated 09/28/05). The guidelines were comprehensive, thorough, and described the criteria used by the Company to determine group eligibility. Based on the files that were reviewed, the policies and procedures were adequately representative of the underwriting process.

Underwriting Process

Vision Service Plan writes vision only coverage for groups. New groups submit a group master application, employee enrollment data, and the first month's premium to the Company. A group number is assigned and the group's enrollment data, group information, benefits, rate, and billing information are added to the system. Identification cards and benefit booklets are prepared and are provided to each 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	748	14
Inforce Groups	1,736	32
Terminated	209	4
Total	**2,693**	**50**

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 was not applicable to this examination. The standard does not apply because VSP writes vision coverage only.

The following Underwriting Standards passed without comment:

#	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**
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**

#	Underwriting Standard	Reference
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**

PROVIDER ACTIVITY

Provider Contracting Process

Prospective providers must complete an application for membership and credentialing review. Each application is reviewed by VSP's membership committee and is accepted or denied based on the Company's participating provider selection criteria. After acceptance as a VSP provider, the doctor is notified of the effective date of VSP membership. If a doctor's application for a provider contract is denied, a letter is sent to the applicant stating the reason for denial.

Provider Manuals

Vision Service Plan provided the examiners with the 2004 and 2005 versions of its provider reference manual. The manual is comprehensive and has appropriate references to claim payment information, hold harmless language, and dispute resolution process.

Provider Directories

The Company provided two (2) directories: VSP List of Participating Doctors (09/05) and VSP List of Participating Doctors in Select Network (09/04).

Provider Activity Review

VSP provided a database of 531 providers. A random sample of 25 providers was selected for review. During this review, the examiners reviewed each file to assure that the two (2) provider contracts that were filed during the examination period were being used.

Findings

The following Provider Activity Standard passed without comment:

#	Provider Activity Standard	Reference
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)**

The following Provider Activity Standards failed:

#	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**
2	**All provider contract forms must contain and adhere to the prescribed standards.**	**WAC 284-43-320 through WAC 284-43-340**

Provider Activity Standard #1:
Material changes were made to contract form #00704WA-2002. These changes were not filed with or approved by the OIC. The contract was used for 24 of the 50 providers reviewed.

See Appendix 3.

Provider Activity Standard #2:
WAC 284-43-320(3) requires that contracts inform participating providers and facilities that willfully collecting or attempting to collect an amount from a covered person knowing that collection of that amount is in violation of the participating provider contract is a Class C felony under RCW 48.80.030(5). Nineteen (19) of the 25 provider contract files that were reviewed did not contain this language.

WAC 284-43-331 and WAC 284-43-340 require that all provider contracts be in compliance by either July 1, 1999 or January 1, 2001, depending on the issue date of the contract. The Company filed an addendum to its contracts with the OIC on September 27, 2002. This addendum was approved on October 28, 2002, and effective November 1, 2002. The filed addendum amended grievance procedures, subcontractor requirements, enrollee coverage and non-discrimination provisions, and enrollee eligibility notification, and brought VSP's provider contracts into compliance. However, the addendum was not found in 19 of the 25 provider contract files that were reviewed.

See Appendix 4.

INSTRUCTIONS

#	INSTRUCTION	Page #
1	The company is instructed to issue approved contracts to all groups incorrectly issued contracts on form number VSP-CA-WA02 in the State of Washington, and provide proof of issuance. In the future the company is instructed to file its contract forms and obtain approval from the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920. (Rate and Form Filing Standard #1)	11
2	Group contract #12230675, negotiated rates are to be filed immediately. Future negotiated rates must be filed within thirty working days after the earlier of: (a) The date group contract negotiations are completed; or (b) The date renewal premiums are implemented. Group contract #12262042, voluntary group rates must be filed immediately and VSP is to provide proof of submission within 60 days of the date of adoption of this report. In the future the company is instructed to file its rates with the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920. (Rate and Form Filing Standard #2)	11
3	The company is instructed to file its provider contract forms and obtain approval from the OIC prior to use. Reference: RCW 48.44.070, WAC 284-43-330. (Provider Activity Standard #1)	14
4	The company is instructed to review all existing participating provider and participating facility contracts within six months of the date of adoption of this report to ensure all contracts contain the prescribed standards and that all participating providers have been issued contracts that are in compliance. Contracts not in compliance should be reissued or amended accordingly to bring them into compliance and the company is to provide proof of issuance. In the future the company is instructed to assure that all of its provider contracts contain prescribed standards and that all of its participating providers have been issued contracts that are in compliance. Reference: WAC 284-43-320 through WAC 284-43-340. (Provider Activity Standard #2)	14

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.	9	NA	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.	9	NA	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	9	NA	NA

Complaint Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The company has filed a copy of its procedures for review and adjudication of complaints with the OIC. Reference: RCW 48.43.055.	9	X	
2	The company must have a fully operational, comprehensive grievance process. Reference: RCW 48.43.530.	10	X	
3	Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested by the OIC. Reference: WAC 284-30-650, Technical Advisory T 98-4.	10	X	
4	The company complies with procedures for health care service review decisions. Reference: WAC 284-43-620.	10	X	

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.	11		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	

#	STANDARD	PAGE	PASS	FAIL
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	
5	Adoptive children shall be covered on the same basis as other dependents. Reference: RCW 48.44.420.	13	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.	13	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	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.	14		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).	13	X	

APPENDIX 1

Rate and Form Filing Standard #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.

OIC #	GROUP #	GROUP NAME	COMMENTS
NG 01	12231879	Anvil Corp.	Issued VSP-CA-WA02. Contract not filed.
NG 02	07116188	EBA Assoc.	Issued VSP-CA-WA02. Contract not filed.
NG 03	12083940	Martha & Mary	Issued VSP-CA-WA02. Contract not filed.
NG 04	12230675	Sumtotal Systems	Issued VSP-CA-WA02. Contract not filed.
NG 05	12210782	Connecticut Elect.	Issued VSP-GVCP-WA03.
NG 06	12215408	Sound Ford	Issued VSP-GVCP-WA03. Omitted sections 1.02 and 4.05. Changed sections 3.02 and 7.01.
NG 07	12244135	Charity USA	Issued VSP-GVCP-WA03. Omitted sections 1.02 and 4.05. Changed sections 3.02 and 7.01.
NG 08	12244418	Pope Resources	Issued VSP-GVCP-WA03. Omitted sections 1.02 and 4.05. Changed sections 3.02 and 7.01.
NG 10	12259900	Specialty Metals	Issued VSP-GVCP-WA03. Omitted sections 1.02 and 4.05. Changed sections 3.02 and 7.01.
NG 11	12263443	Kamiak Vineyard	Issued VSP-GVCP-WA05. Changed sections 5.03 and 5.04.
NG 12	12263478	Key Pharmacy	Issued VSP-GVCP-WA05. Changed sections 5.03 and 5.04.
NG 13	12263544	Buckley & Assoc.	Issued VSP-GVCP-WA05. Changed sections 5.03 and 5.04.
NG 14	12250413	Bayley Construction	Issued VSP-GVCP-WA03 and VSP-BYC 1/05. Contract and endorsement not filed. 36-month contract.
IF 01	07106388	Centralia School	Issued VSP-CA-WA02. Contract not filed.
IF 02	07114477	Groat Bros., Inc.	Issued VSP-GVCP-WA03. Omitted sections 1.02 and 4.05. Changed sections 3.02 and 7.01.
IF 03	12077400	Ski's Painting, Inc.	Issued VSP-CA-WA02. Contract not filed.
IF 05	12100876	BW Specialty Mfg.	Issued VSP-CA-WA02. Contract not filed.
IF 06	12119861	Northwest Church	Issued VSP-GVCP-WA05. Changed sections 5.03 and 5.04.
IF 07	12162399	Wizard's Casino	Issued VSP-GVCP-WA03. Omitted sections 1.02 and 4.05. Changed sections 3.02 and 7.01.
IF 08	12172893	Columbia United	Issued VSP-CA-WA02. Contract not filed.
IF 09	12166932	Bankruptcy Mgmt.	Issued VSP-CA-WA02. Contract not filed.
IF 10	12186254	Corixa Corp.	Issued VSP-CA-WA02. Contract not filed.
IF 11	12184402	Wheatland Bank	Issued VSP-CA-WA02. Contract not filed.
IF 12	12189581	Uhlman Motors	Issued VSP-CA-WA02. Contract not filed.

OIC #	GROUP #	GROUP NAME	COMMENTS
IF 13	12193363	Milam Olds	Issued VSP-GVCP-WA03. Omitted sections 1.02 and 4.05. Changed sections 3.02 and 7.01.
IF 14	12210782	Conn Electric	Issued VSP-GVCP-WA03. Omitted sections 1.02 and 4.05. Changed sections 3.02 and 7.01.
IF 15	12210764	Evergreen Tire	Issued VSP-GVCP-WA03. Omitted sections 1.02 and 4.05. Changed sections 3.02 and 7.01.
IF 17	12081508	Seattle Chamber	Issued VSP-CA-WA02. Contract not filed.
IF 18	07105969	Draper Valley	Issued VSP-GVCP-WA03. Changed section 7.01.
IF 19	12213735	Endeavor Consult	Issued VSP-GVCP-WA03. Changed section 7.01.
IF 20	12212781	Northwest Trans.	Issued VSP-GVCP-WA03. Changed section 7.01.
IF 21	12216492	WA Wilderness	Issued VSP-CA-WA02. Contract not filed.
IF 22	12263511	Mirai Associates	Issued VSP-GVCP-WA05. Changed sections 5.03 and 5.04.
IF 24	12262042	Tate Transport	Issued VSP-GVCP-WA03. Voluntary plan not filed.
IF 25	12009865	Energy Northwest	Issued VSP-CA-WA02 and VSP-ENW1/04. Contract and endorsement not filed.
IF 26	12236722	Human Services	Issued VSP-CA-WA02. Contract not filed.
IF 27	12074694	Evergreen Lawn	Issued VSP-CA-WA02. Contract not filed.
IF 28	12248821	McBride Construc.	Issued VSP-GVCP-WA03. Changed section 7.01.
IF 29	12251427	Sensaria	Issued VSP-GVCP-WA03. Changed section 7.01.
IF 30	12199040	Talbott, Simpson	Issued VSP-GVCP-WA03. Changed section 7.01.
IF 31	12257920	Heartland LLC	Issued VSP-GVCP-WA03. Changed section 7.01.
IF 32	12120736	Tui Consulting	Issued VSP-CA-WA02. Contract not filed.
T 01	12157744	Seeker Tech.	Issued VSP-CA-WA02. Contract not filed.
T 02	12182321	Pacific Crest	Issued VSP-CA-WA02. Contract not filed.
T 03	12092380	Guido Perla	Issued VSP-CA-WA02. Contract not filed.
T 04	07113583	Golf Savings	Issued VSP-CA-WA02. Contract not filed.

APPENDIX 2

Rate and Form Filing Standard #2: All rates have been filed with the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920.

OIC #	GROUP #	GROUP NAME	COMMENTS
NG 04	12230675	Sumtotal Systems	Negotiated/experience-rated. Rates not filed.
IF 05	12100876	BW Specialty Mfg.	Rates issued to group prior to filing.
IF 15	12210764	Evergreen Tire	Rates issued to group prior to filing.
IF 24	12262042	Tate Transport	Voluntary plan rates not filed.
IF 27	12074694	Evergreen Lawn	Rates issued to group prior to filing.
IF 30	12199040	Talbott, Simpson	Rates issued to group prior to filing.
IF 31	12257920	Heartland LLC	Rates issued to group prior to filing.
T 03	12092380	Guido Perla	Rates issued to group prior to filing.

APPENDIX 3

Provider Activity Standard #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.

OIC #	PROVIDER	CONTRACT #	COMMENTS
PC 02	Shepherd, Paul	#00704 12/03	Changes made to filed version of contract.
PC 03	Lechner, David	#00704 12/04	Changes made to filed version of contract.
PC 04	Hamilton, Mark	#00704 09/02	Contract issued prior to filing and approval.
PC 05	Gurdian, Silvio	#00704 12/03	Changes made to filed version of contract.
PC 06	Kordish, David	#00704 12/04	Changes made to filed version of contract.
PC 07	Dolezal, Joseph	#00704 09/02	Contract issued prior to filing and approval.
PC 08	Brush, Michael	#00704 12/03	Changes made to filed version of contract.
PC 09	Jones, Matthew	#00704 12/04	Changes made to filed version of contract.
PC 10	Medeski, Linda	#00704 09/02	Contract issued prior to filing and approval.
PC 11	Wilson, Robert	#00704 12/04	Changes made to filed version of contract.
PC 12	Isaacson, Glenn	#00704 12/03	Changes made to filed version of contract.
PC 13	Thomas, Byron	#00704 12/04	Changes made to filed version of contract.
PC 14	Pedack, Henry	#00704 12/03	Changes made to filed version of contract.
PC 15	Bogdanovich, G.	#00704 12/03	Changes made to filed version of contract.
PC 16	Lung, Leslie	#00704 12/03	Changes made to filed version of contract.
PC 17	Zelasko, Joseph	#00704 04/02	Contract issued prior to filing and approval.
PC 18	Lindauer, Mel	#00704 12/04	Changes made to filed version of contract.
PC 19	Farnsworth, Mel	#00704 12/04	Changes made to filed version of contract.
PC 20	Hare, Gregory	#00704 09/02	Contract issued prior to filing and approval.
PC 21	Wong, Pamela	#00704 12/04	Changes made to filed version of contract.
PC 22	Kosnoski, Edwar	#00704 12/04	Changes made to filed version of contract.
PC 23	Converse, Jon	#00704 12/03	Changes made to filed version of contract.
PC 24	Bernhart, Lee	#00704 12/04	Changes made to filed version of contract.
PC 25	Bearden, Amy	#00704 12/03	Changes made to filed version of contract.

APPENDIX 4

Provider Activity Standard #2: All provider contract forms must contain and adhere to the prescribed standards. Reference: WAC 284-43-320 through WAC 284-43-340.

The following contracts omitted Section B, Member Doctor Obligations, Item #23, which required the company to inform participating providers and facilities that willfully collecting or attempting to collect an amount from a covered person knowing that collection to be in violation of the participating provider or facility contract constitutes a class C felony under RCW 48.80.030(5)

OID ID #	PROVIDER
PC 02	Shepherd, Paul
PC 03	Lechner, David
PC 04	Hamilton, Mark
PC 06	Kordish, David
PC 08	Brush, Michael
PC 09	Jones, Matthew
PC 10	Medeski, Linda
PC 11	Wilson, Robert
PC 12	Isaacson, Glenn
PC 13	Thomas, Byron
PC 14	Pedack, Henry
PC 17	Zelasko, Joseph
PC 19	Farnsworth, Mel
PC 20	Hare, Gregory
PC 21	Wong, Pamela
PC 22	Kosnoski, Edward
PC 23	Converse, Jon
PC 24	Bernhart, Lee
PC 25	Bearden, Amy

PATRICIA COCHRAN
CHIEF FINANCIAL OFFICER

August 1, 2006 FAXED 8/2

AUG 09 2006

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

Re: Vision Service Plan (VSP) Market Conduct Examination

Dear Mr. Odiorne:

Thank you for your letter dated July 13, 2006 that was accompanied by a draft of the referenced report of examination. As you requested, this letter includes our comments regarding the draft report of examination.

We agree with the examiner's findings except with respect to certain Rate and Form Filings referenced on page 19 [in Appendix 1] of the draft report:

1. OIC # # NG 06-10, IF 02, IF 07, IF 13-15: Our records show that Section 3.02 of these contracts did not differ from the filed contract language.

2. OIC # # NG 11-13, IF 06, IF 18-20, IF 22, IF 28-31: Sections 1.02 and 4.05 were properly omitted since these are community-rated contracts and the referenced sections are only applicable for individually-rated contracts.

VSP will timely comply with valid instructions provided to it by the OIC. If you should have any question regarding the foregoing, please let us know. Thank you for your consideration of the foregoing.

Cordially,

Patricia Cochran

Patricia Cochran

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Passion for people. Vision for life.