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December 9, 2011

VIA E-MAIL HEARINGS@OIC.WA.GOV AND FIRST CLASS MAIL

Kelly A. Cairns
Paralegal, OIC Hearings Unit
Office of Insurance Commissioner
PO Box 40255
Olympia, WA 98504

Re: Ability Insurance Company - OIC
No. 11-0088 and No. 11-0089
Supplemental Information and Clarification Regarding Corporate Entities
Our File No.: 122574/181300

Dear Kelly:

Judge Petersen requested certain supplemental information during closing argument. This letter is to address that and the related information regarding corporate entities.

A. Ability Insurance Company

This matter involves Ability Insurance Company. Ability Insurance Company is licensed in Washington. Ability Insurance Company is wholly owned by Ability Resources, Inc. Ability Resources, Inc. in turn is wholly owned by Ability Reinsurance Holdings Limited. The only other company that is owned by Ability Holdings Limited is Ability Reinsurance (Bermuda) Limited. The corporate structure for all of the Ability entities is available on their web page. A copy of that attached to this as Attachment A.

The Ability Family is an insurer centered provider of a continuum of reinsurance and administrative solutions to specialty health and life insurers. These currently focus on legacy portfolios that are in run off. As this might imply, there will generally not be new policies sold for these portfolios. Ability's business model is flexible to ensure meeting client company short

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term and long term business objectives while ensuring that policyholder commitments are honored. Thus, the option of re-issuing or selling policies remains an option where it might be appropriate.

B. Medico Insurance Company, formerly Mutual Protective Insurance Company, is not a related entity

The confusion at the hearing appears to have arisen from the fact that another insurance company, Medico, continues to be licensed in Washington and continues to operate in unrelated lines of insurance. See, e.g., http://www.gomedico.com/about_us.htm. The current Medico is unrelated to Ability Insurance Company. There is no overlapping ownership or management. The only connection is a business transaction and is purely historical – see http://www.gomedico.com/news_pr_0003.htm.

To clarify what was discussed on the third day of the hearing, August 5, 2011, a short history is in order. Mutual Protective Insurance Company, a mutual company, was formed in 1930 and its former wholly owned stock subsidiary, Medico Life Insurance Company, was formed in 1970. Mutual Protective changed its name to Medico Insurance Company in 2003 when it converted to a Mutual Holding Company.

In September, 2007 Medico sold its subsidiary, Medico Life, to Ability Resources, Inc.

Medico Life, no longer affiliated with Medico, changed its name to Ability Insurance Company in 2009.

Ability purchased the long-term care insurance book of business from Medico after Medico had underwritten that line for many years. Policyholders at that time were offered the ability to have a novation of their policy so that they would have Ability policies instead of Medico policies. It appears Ms. White did not avail herself of that option. Since that time those policies, both those that remained Medico and the novated Ability policies, have been administered by what is now called Ability Insurance Company.

At the present time Medico continues to sell other policies but it does not sell any form of long-term care policies. Medico has no financial interest in the policies that are owned and administered by Ability Insurance Company, other than a theoretical one, discussed below. Medico receives none of the premium from the continuation of those policies. Medico does not underwrite any new policies in that book of business. Medico does not administer the policies or make payments under the policies. The policies that were once underwritten by Medico in the long-term insurance field are now administered by Ability Insurance Company with premiums paid to Ability Insurance Company and payments on policies made by Ability Insurance Company.

The only potential involvement of the original Medico Insurance Company for policies that were not novated would be that they may still have potential liability should Ability Insurance Company no longer be viable and available to pay on coverage. This is not a likely event. Other than that, Medico has no other financial or other relationship to the long-term



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policy field. The fact that they are still licensed in Washington has no bearing on Ability Insurance Company.

C. Effect of the Washington OIC Orders

The only Ability entity that is licensed in Washington is Ability Insurance Company. The order from the Insurance Commissioner that would suspend Ability's right to operate in this state would affect all relevant entities owned, operated, or managed by Ability.

Ability Resources, Inc. is licensed to operate as a TPA (third party administrator). Under the orders, Ability as a third party administrator would not be restricted in continuing to administer other companies' business, which is appropriate. Such a point is moot, however, because Ability does not own or administer any other long-term care business in Washington.

We sincerely hope that this letter clears up any confusion regarding the OIC orders, Ability Insurance Company and Medico. Please feel free to contact me with any further questions.

Very truly yours,

SCHWABE, WILLIAMSON & WYATT, P.C.



Christopher H. Howard
Virginia R. Nicholson

CHH:ckt
Attachment
cc: Alan Michael Singer, with attachment



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