



March 22, 2010

24701.101

VIA EMAIL

Mr. Alan Hudina
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

Re: Application Form 8121WA and Policy Form 8387W

Dear Mr. Hudina:

Thank you and others at the Washington Office of the Insurance Commissioner for the efforts regarding the above matter and in particular the useful extended discussion on October 16, 2009. With respect to the "monthly percent of account charge", there was no issue as to the substance of this charge having been specifically disclosed by LSW, but the Commissioner's office believed that this should also be subject to disclosure in the form of a reduced net guaranteed rate of return, after deducting this charge. This has been examined carefully and such change in the form of disclosure can be accomplished with changes in software and procedures specially crafted for Washington State.

Also, the past disclosures have not referenced the possibility that the "monthly percent of account charge" and the "monthly administrative charge per thousand" may at some time be reduced or eliminated, although the company does perceive such reduction or elimination as a future possibility. While presenting these charges without reference to future reductions is seen by the company as conservative and very fair, OIC believes they should be characterized as "non guaranteed elements." This also can be done with changes in software and procedures specifically crafted for Washington State.

Regarding the sweep date, the illustrations as used can result in overstating the difference between the guaranteed rate as earned and the index return as earned for a very short one time period of not exceeding 30 days. This could have a quantitatively very small effect on the illustrated result. This too can be changed by software and procedural changes specially crafted for Washington State.

We did understand that OIC may well be willing to accept a 24 year illustrative period as correctly used in light of practices in the industry and concern for a "level playing field" and OIC respect for actuarial judgment of actuaries in the field. Thus, we anticipate resolution can be without change of that procedure.

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Williams, Kastner & Gibbs PLLC
Two Union Square
601 Union Street, Suite 4100
Seattle, Washington 98101
main 206.628.6600 fax 206.628.6611
www.williamskastner.com
SEATTLE . TACOMA . PORTLAND

Mr. Alan Hudina

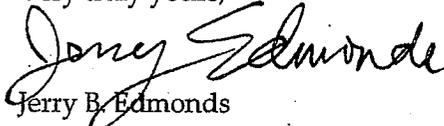
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With apologies for the time it took to fully assess the changes that would likely be required to satisfy OIC, LSW has reluctantly concluded that the cost of such procedural software and administrative changes are such that, in light of the size of market in the State of Washington, such changes are not cost justified. As a mutual company, LSW does not believe such costs ultimately to be borne by policyholders are justified to create a modified Washington State only product out of a product that was designed to be effective primarily in a national marketplace. If a way can be found to arrive at a more unified approach, that can be explored. At present, it is the company's decision to acquiesce in the non-approval in Washington of Application Form 8121WA and Policy Form 8387W and drop its administrative appeal without conditions.

We again thank you for your attention, courtesy and efforts.

Very truly yours,



Jerry B. Edmonds

Attorney at Law

(206) 628-6639

jedmonds@williamskastner.com

cc: Andrea Philhower