



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of	)	No. 10-12
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
<b>COMMONWEALTH INSURANCE</b>	)	AND ORDER ADOPTING REPORT
<b>COMPANY OF AMERICA</b>	)	OF FINANCIAL EXAMINATION
	)	
A Domestic Insurer.	)	

**BACKGROUND**

An examination of the financial condition of **COMMONWEALTH INSURANCE COMPANY OF AMERICA** (the Company) as of December 31, 2008, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. 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 December 22, 2009. 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 15 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 **COMMONWEALTH INSURANCE COMPANY OF AMERICA** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions prior to the date of this order. The Instructions 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 contained in the examination report on pages 1-4.

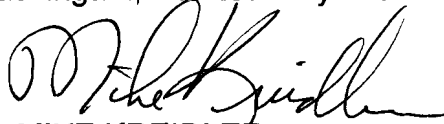
1. The Company is ordered to comply with WAC 284-07-050(2) which requires adherence to the NAIC Accounting Practices and Procedures Manual, specifically SSAP No. 70, paragraph 8. Also, the Company is ordered to comply with RCW 48.31B.030(1)(a), which requires the terms of the agreement to be fair and reasonable. Expenses under the terms of an investment agreement must be apportioned to the entities incurring the expense as if the expense had been paid solely by the incurring entity. Fees must be allocated to the affiliated companies in conformity with customary insurance accounting practices consistently applied. The books, accounts, and records of each party to all such transactions must be so maintained as to clearly and accurately disclose the nature and details of the transactions. Instruction 1, Examination Report, page 2.
2. The Company is ordered to comply with RCW 48.07.040 which requires the Company to hold annual shareholder meetings according to its bylaws, to elect BOD members and to hold BOD meetings in compliance with its bylaws and to document approval of all Company investments and corporate affairs as required by RCW 48.13.340. Instruction 2, Examination Report, page 2.
3. The Company is ordered to comply with WAC 284-07-050(2) which requires adherence to the NAIC Accounting Practices and Procedures Manual, specifically SSAP No. 70, paragraph 8. Also, the Company is ordered to comply with RCW 48.31B.030(1)(a) which requires the terms of the agreement to

be fair and reasonable; expenses under the terms of a service and cost-allocation agreement must be apportioned to the entities incurring the expense as if the expense had been paid solely by the incurring entity; and, fees must be allocated to the affiliated companies in conformity with customary insurance accounting practices consistently applied. Instruction 3, Examination Report, page 3.

4. The Company is ordered to comply with RCW 48.31B.025(2)(c)(v) and RCW 48.31B.030(1)(b) which require the Company to file all agreements with the commissioner. Instruction 3, Examination Report, page 3.
5. The Company is ordered to comply with WAC 284-07-050(2) which requires adherence to the NAIC Accounting Practices and Procedures Manual, SSAP No. 62, paragraph 8(b) and (c), by including all the required terms. Instruction 4, Examination Report, page 3.
6. The Company is ordered to comply with RCW 48.05.250 by filing its financial statements in the 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. The Company is also ordered to execute a revised or amended custodial agreement that complies with the FCEH. Instruction 5, Examination Report, page 3.
7. The Company is ordered to comply with RCW 48.05.073, RCW 48.05.250, and WAC 284-07-050(2) in filing its NAIC 2008 Annual Statement in accordance with the AP&P and the NAIC 2008 Annual Statement Instructions by properly calculating and reporting premium deficiency reserves in accordance with SSAP No. 53, paragraph 15. Instruction 6, Examination Report, page 4.
8. The Company is ordered to comply with RCW 48.12.160 by collateralizing the unauthorized reinsurance recoverable or non-admitting any un-collateralized reinsurance recoverable from CIC and RCW 48.05.250 by filing a true statement of its financial condition, transactions, and affairs. Instruction 7, 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 26th day of January, 2010.

A handwritten signature in black ink, appearing to read "Mike Kreidler", written in a cursive style.

MIKE KREIDLER  
Insurance Commissioner