



OFFICE OF THE INSURANCE COMMISSIONER

In the Matter of	)	No. 11-10
	)	
The Targeted Financial Examination of	)	FINDINGS, CONCLUSIONS,
<b>TIMBER PRODUCTS</b>	)	AND ORDER ADOPTING REPORT
<b>MANUFACTURERS TRUST</b>	)	OF FINANCIAL EXAMINATION
	)	

A Domestic Self-Funded  
Multiple Employer Welfare Arrangement (MEWA).

**BACKGROUND**

An examination of the financial condition of **TIMBER PRODUCTS MANUFACTURERS TRUST** (the Trust) as of April 30, 2010, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Trust holds a Washington certificate of registration as a self-funded multiple employer welfare arrangement (MEWA). 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 Trust for its comments on December 21, 2010. The Trust'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 Trust.

Subject to the right of the Trust to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

TIMBER PRODUCTS MANUFACTURERS TRUST  
Order Adopting Examination Report  
January 25, 2011

## FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 10 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 **TIMBER PRODUCTS MANUFACTURERS TRUST** and to order the Trust to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Trust may have implemented some of the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and Comments and Recommendations 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 Trust is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-4.

1. The Trust is ordered to comply with RCW 48.43.310(2) and file an accurate RBC Plan that; identifies the conditions that contributed to the Trust action level event; contains proposals of corrective actions that the Trust intends to take to eliminate the Trust action level event; provides financial projections that are based on realistic assumptions; and identifies those key assumptions that can be supported. Instruction 1, Examination Report, page 2.
2. The Trust is ordered to consider maintaining an adequate surplus that would enable it to cope with large and unexpected losses. Comments and Recommendations 1, Examination Report, page 2.

3. The Trust is ordered to consider closely monitoring its cash flow and implementing a cash management process that ensures asset liability matching. Comments and Recommendations 2, Examination Report, page 3.
4. The Trust is ordered to consider having a succession plan in place for key positions such as the Health Plan Director position which is vital to the on-going operations of the Trust. Comments and Recommendations 3, Examination Report, page 3.
5. The Trust is ordered to consider closely monitoring its arrangements with third parties and increasing its oversight over essential financial and non-financial functions in order for the Trust to have accurate and timely information needed to manage its affairs. Comments and Recommendations 4, Examination Report, page 3.

IT IS FURTHER ORDERED THAT, the Trust file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Trust has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 25th day of January, 2011.



MIKE KREIDLER  
Insurance Commissioner



TIMBER PRODUCTS MANUFACTURERS TRUST

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January 10, 2011

Mr. James T. Odiorne, CPA, JD  
Deputy Insurance Commissioner  
Company Supervision Division  
State of Washington  
Office of the Insurance Commissioner  
P.O. Box 40255  
Olympia, WA 98504

**RECEIVED**

**JAN 13 2011**

**INSURANCE COMMISSIONER  
COMPANY SUPERVISION**

SUBJECT: Timber Products Manufacturers Trust Targeted Financial Examination Draft Report  
(NAIC Code 12239)

Dear Mr. Odiorne:

The Timber Products Manufacturers Trust (Trust) is in receipt of the Targeted Financial Examination Draft Report dated December 21, 2010. The Trust thanks the Commissioner for the opportunity to review the draft report and provide our comments.

1. RBC Plan Accuracy

As explained during the field examination, the RBC Plan initially submitted to the Commissioner was prepared by a former staff member of the Timber Products Manufacturers Association (Association) and based, in part, upon work from the Trust's former actuarial firm. The staff member was let go on May 31, 2010 and the Trust replaced its actuarial firm in April 2010. Over the course of the summer and fall of 2010, a new Health Plan Director, in concert with the new actuarial firm, prepared a totally revised RBC Plan. A final RBC plan was accepted by the Commissioner on December 10, 2010.

2. Surplus Decrease

The Trust thanks the Commissioner for summarizing several steps the Trust has taken to conserve cash and align its expenditures with revenues. However, the draft report does not describe other key measures that were implemented that we believe are important to include:

- In concert with its new actuarial firm, the Trust totally revised its underwriting manual and underwriting model. The Trust also implemented two proprietary underwriting tools provided by its actuarial firm. As a result, the Trust is able to garner exceptionally better underwriting material and more accurately price new business relative to risk.
- Similarly, the new actuarial firm rebuilt the Trust's renewal model which uses several tools to assess prospective risk and more accurately set renewal pricing. The Trust has used the model for three consecutive renewal blocks and the results have exceeded expectations.

- The Trust, its new actuarial firm, and its TPA, have enhanced reporting mechanisms to more timely notice emerging claims experience and large claim amounts. This has resulted in much more accurate reserve estimates and business pricing.

Other comments are as follows:

Membership Loss: The Trust requests the word "sufficiently" inserted before "offset".

Recommendations Section: The Trust requests the last phrase read: "and renegotiated its contract with *its* drug benefit manager *which resulted in substantial savings*".

### 3. Changes in Senior Management

The Association Health Plan Director works in unison with the President of the Association to provide direction for the Trust in all matters. At present, the position of President of the Association served as a Trustee for fifteen years. Were the current Health Plan Director to become unavailable for any reason, those duties would be fulfilled by the President. The present Board of Trustees, many of whom have an extensive background with the Trust, would also reconvene their Technical Committee for the express purpose of assisting the President and staff in making sure that critical decisions were identified and dealt with promptly. The Trust also has solid relationships with key third party vendors.

### 4. Resubmission of RBC Plan

The Commissioner's office accepted the Trust's revised RBC Plan December 10, 2010.

### 5. Recoverable from Providers

Through December 2010, the Trust has collected approximately \$309,000 in recoverables from Providers.

Should you have any questions, please do not hesitate to contact Brian Davis, our Health Plan Director.

Sincerely,



William Clawson  
Trust Chairman