



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of )  
 )  
The Financial Examination of )  
 **UNIGARD INSURANCE COMPANY** )  
 )  
 )  
A Domestic Insurer. )

No. 09-43  
  
FINDINGS, CONCLUSIONS,  
AND ORDER ADOPTING REPORT  
OF FINANCIAL EXAMINATION

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**BACKGROUND**

An examination of the financial condition of **UNIGARD INSURANCE COMPANY** (the Company) as of December 31, 2007, 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, and instructions was transmitted to the Company for its comments on March 18, 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 13 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 **UNIGARD INSURANCE COMPANY** 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.

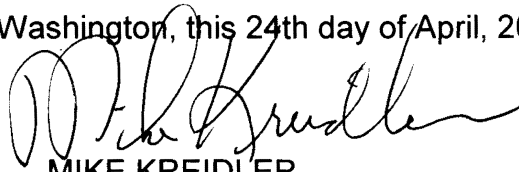
The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-3.

1. The Company is ordered to settle inter-company balances monthly or refile an amended agreement in compliance with RCW 48.31B.030(1)(b) that supports the current inter-company settlement practices. Instruction 1, Examination Report, page 1.
2. The Company is ordered to comply with RCW 48.31B.030(1)(a), which requires the terms of an agreement to be fair and reasonable. Expenses under the terms of a management 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 2, Examination Report, page 2.
3. The Company is ordered to comply with RCW 48.13.030(1) by limiting its investments in any single entity to four percent of total assets. Instruction 3, Examination Report, page 2.
4. The Company is ordered to comply with RCW 48.31B.025(2)(c)(viii) which requires all insurers of a holding company system to file, with the commissioner, tax allocation agreements prior to entering into them. All companies participating in the agreement need to be listed in the agreement. Instruction 4, Examination Report, page 2.

5. The Company is ordered to comply with WAC 284-07-050(2) in filing its 2007 NAIC Annual Statement in accordance with the AP&P and the 2007 NAIC Annual Statement Instructions. Instruction 5, Examination Report, page 3.
6. The Company is ordered to comply with RCW 48.05.073, RCW 48.05.250, and WAC 284-07-050(2) in filing its 2007 NAIC Annual Statement in accordance with the AP&P and the 2007 NAIC Annual Statement Instructions. Instruction 6, Examination Report, page 3.

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 24th day of April, 2009.

A handwritten signature in black ink, appearing to read "Mike Kreidler", is written over the typed name.

MIKE KREIDLER  
Insurance Commissioner



RECEIVED  
APR 10 2009  
INSURANCE COMMISSIONER  
COMPANY SUPERVISION

Unigard Insurance Company  
15805 NE 24<sup>th</sup> Street  
Bellevue, WA 98009-2409  
qberegional.com

April 9, 2009

**VIA FEDERAL EXPRESS**

James T. Odiorne  
Deputy Insurance Commissioner  
Office of Insurance Commissioner  
5000 Capitol Blvd.  
Tumwater, WA 98501

**RE: Financial Examination Reports of Unigard Indemnity Company Unigard Insurance Company**

Dear Mr. Odiorne:

This letter is in response to the draft financial examination reports dated March 18, 2009. Since the issues identified under the draft reports for Unigard Insurance Company (UIC) and Unigard Indemnity Company (UID) are substantially the same, I have combined our responses for both companies below.

**1. Inter-company Agreement**

The companies will revise their inter-company agreements which contain monthly settlement provisions to support the quarterly settlement procedure.

**2. Internal Investment Management Agreement**

The companies will work with Minster Court Asset Management Pty Limited to develop acceptable procedures and documentation which support the charged fees under the investment management agreement.

**3. Investment Limitations**

During 2008, the companies and their investment advisor implemented new control procedures to insure the companies' investments comply with the investment limitations.

**4. Tax Agreement**

Effective January 1, 2008, the companies entered into a single Tax Sharing Agreement covering all insurance and non-insurance groups and subgroups.

**5. Reinsurance – Inter-company Pooling**

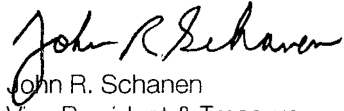
The companies will report the inter-company activity related to the pooling agreement in accordance with the NAIC Annual Statement instructions and the AP&P.

## **6. Advance Premiums – New Policies**

The companies will implement procedures to properly present advance premiums for new policies in the financial statements.

If you have any questions or need additional information, please contact me via phone at (608) 825-5629 or via email at [john.schanen@us.qbe.com](mailto:john.schanen@us.qbe.com).

Sincerely,

A handwritten signature in black ink that reads "John R. Schanen". The signature is written in a cursive style with a large, prominent initial "J".

John R. Schanen  
Vice President & Treasurer  
Unigard Insurance Company  
Unigard Indemnity Company