



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 14-21
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
COLUMBIA UNITED PROVIDERS, INC.)	AND ORDER ADOPTING REPORT
)	OF FINANCIAL EXAMINATION
)	

A Domestic Insurer.

BACKGROUND

An examination of the financial condition of **COLUMBIA UNITED PROVIDERS, INC.**, (the Company) as of December 31, 2012, 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 disability 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 January 23, 2014. 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 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 **COLUMBIA UNITED PROVIDERS, INC.**, and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and the Comments and Recommendations in the report are appropriate responses to the matters found in the examination.

ORDER

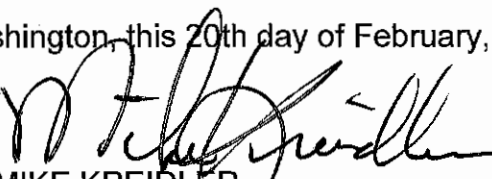
The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-2.

1. The Company is ordered to revise its investment policy and ensure that the revised policy complies with RCW 48.13.041 and RCW 48.13.051. Instruction 1, Examination Report, page 1.
2. The Company's ultimate parent, PeaceHealth, is ordered to file a Form A for approval that accurately reflects the current holding company structure that is in compliance with the filing requirements contained in RCW 48.31C.030 and WAC 284-18A-350. Instruction 2, Examination Report, page 2.
3. The Company is ordered to consider increasing its employee dishonesty coverage to the NAIC suggested minimum. Comments and Recommendations 1, Examination Report, page 2.
4. The Company is ordered to consider developing succession plans for key personnel. Comments and Recommendations 2, Examination Report, page 2.

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 20th day of February, 2014.


MIKE KREIDLER
Insurance Commissioner

COPY

February 5, 2014

William R. Michels, MBA, CPA, CFE
Deputy Insurance Commissioner
Company Supervision Division
5000 Capitol Blvd.
Tumwater, WA 98501

RE: Financial Examination Report of Columbia United Providers, Inc.
As of December 31, 2012

Dear Mr. Michels:

Columbia United Providers (CUP) is in receipt of the draft Financial Examination Report as of December 31, 2012, delivered to us under cover letter dated January 23, 2014. Please find below CUP's responses to the Report. The Report findings are shown in italics, followed by our responses.

Instructions

1. Investment Policy

*The Company's written investment policy is not in compliance with several provisions of RCW 48.13.041 and RCW 48.13.051. For example, RCW 48.13.041 and RCW 48.13.051 require the investment policy to be reviewed and approved by the board of directors, at least annually; and that the policy must consider several other provisions as outlined in RCW 48.13.041 and RCW 48.13.051. **The Company is instructed to revise its investment policy and ensure that the revised policy complies with RCW 48.13.041 and RCW 48.13.051.***

CUP will revise its investment policy to comply with RCW 48.13.041 and RCW 48.13.051 in all aspects including to be reviewed and approved by the board of directors at least annually.

2. Holding Company Form A Filing

*The Company's ultimate parent, PeaceHealth, does not have the required Form A filing in place that accurately reflects the current holding company structure as required by TCW 48.31C.030 and WAC 284-18A-350. The Company's parent, Southwest Washington Health Systems, entered into an affiliation agreement with PeaceHealth, effective January 1, 2011. To date, PeaceHealth has not filed an accurate Form A to reflect the current organizational structure. **PeaceHealth is instructed to file a Form A for approval that accurately reflects the current holding company structure that is in compliance with the filing requirements contained in RCW 48.31C.030 and WAC 284-18A-350.***

CUP will work with PeaceHealth to file a Form A that accurately reflects the current holding company structure as is required.

Comments and Recommendations

1. Fidelity Bond

The Company has a commercial policy that provides for employee dishonesty coverage with a

limit of \$250,000, which is less than the NAIC suggested amount of \$700,000 to \$800,000. It is recommended that the Company increase its employee dishonesty coverage to the NAIC suggested minimum.

CUP increased the coverage for employee dishonesty coverage to a \$1,000,000 limit in November 2013.

2. Succession Planning

The company does not have a formal succession plan in place for key personnel. It is recommended that the Company develop succession plans for key personnel.

Cup will develop a succession plan for key personnel in the upcoming year.

Thank you for the opportunity to present this response to the draft Financial Report.

Sincerely,



Karen Lee

Chief Strategy Officer
President and Interim CEO

Cc: James T. Odiorne, Chief Deputy Insurance Commissioner
Patrick H. McNaughton, Chief Examiner