

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

INSURANCE DIVISION

REPORT OF FINANCIAL EXAMINATION

OF

**OREGON MEDICAL INSURANCE POOL
SALEM, OREGON**

AS OF

DECEMBER 31, 1999

TABLE OF CONTENTS

SCOPE OF EXAMINATION	4
HISTORY OF OMIP	5
MANAGEMENT AND CONTROL	5
<i>Board of Directors</i>	5
<i>Administrator and Staff Members</i>	6
<i>Third Party Administrator</i>	6
TERRITORY AND PLAN OF OPERATION	7
<i>OMIP Plans</i>	7
<i>Eligibility</i>	7
<i>Medical Requirements</i>	8
<i>Portability Requirements</i>	8
<i>Assessments</i>	8
RESERVE HISTORY	8
CLAIMS EXPERIENCE	9
REINSURANCE	10
FIDELITY BONDS AND OTHER INSURANCE	10
PENSION PLANS	10
ACCOUNTS AND RECORDS	10
<i>Premiums Rates</i>	11
<i>Cash</i>	12
<i>Accounts Payable and Other Liabilities</i>	12
<i>Claim Check Voids</i>	13
<i>Accounts Receivable</i>	13
<i>Internal Controls</i>	14
<i>Board of Director Minutes</i>	14
STATEMENT OF ASSETS, LIABILITIES, AND SURPLUS	16
STATEMENT OF OPERATIONS	17
NOTES TO FINANCIAL STATEMENTS	18
<i>Note 1 - Cash</i>	18
<i>Note 2 - Accounts Receivable - Other</i>	18
<i>Note 3 - Provision for Unpaid Claims</i>	18
<i>Note 3 - Accounts Payable</i>	19
SUMMARY OF COMMENTS AND RECOMMENDATIONS	20
CONCLUSION	21

ACKNOWLEDGMENT	22
AFFIDAVIT	23

October 10, 2000

Honorable Mary C. Neidig, Director
Department of Consumer and Business Services
State of Oregon
350 Winter Street NE, Room 440
Salem, Oregon 97301-3883

Dear Director:

In accordance with your instructions and pursuant to ORS 731.300, we have examined the business affairs and financial condition of

**OREGON MEDICAL INSURANCE POOL
625 Marion Street NE, Suite 3
Salem, Oregon 97301**

hereinafter referred to as "OMIP" or the "Pool." The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

This is the first examination of OMIP. As such, the examination covers a nine-year period since the Pool's inception in 1990 up to December 31, 1999. In addition, the examination included a review of material transactions or events that occurred subsequent to the examination cut-off date.

The examination was conducted pursuant to the provisions of ORS 731.300 and in accordance with procedures and guidelines prescribed by the National Association of Insurance Commissioners (NAIC) for the purpose of determining OMIP's financial condition, ability to fulfill and the manner of fulfillment of its obligations, the nature of its operations, and compliance with the Insurance Code. Accounting methods, internal control procedures, records, and other supporting evidence were examined or tested by appropriate methods to the extent deemed necessary and appropriate for the type, volume, and complexity of the accounting system and operations utilized by OMIP. The record testing included, but was not limited to, assets, liabilities, income and expense related items.

A review was also made of the OMIP Third Party Administrator's (TPA) performance with respect to its administrative agreement with OMIP and to verify that the Pool's operations comply with the provisions of ORS 735.600 to 735.635. This review focused on the financial and accounting aspects of OMIP operations. The market conduct of OMIP is addressed in a separate Department of Consumer and Business (DCBS) report of market conduct examination.

In addition to the above, work papers were reviewed that were prepared by the DCBS internal auditor. A portion of the DCBS internal auditor's work papers have been incorporated into our

work papers, and have been utilized in determining the scope and areas of emphasis in conducting the examination.

HISTORY OF OMIP

OMIP was established by the Oregon Legislative Assembly in 1989 for the purpose of providing medical insurance to Oregon residents who were denied coverage due to current or prior health conditions. OMIP was allocated one million dollars from the State of Oregon general fund to start operations. The Pool began operations in July 1990. The OMIP program expanded to include coordinated case management, a managed care plan and geographical rating to improve access. In 1995, Senate Bill 152 added portability eligibility to the program which was further enhanced by the passage of the federal HIPAA legislation in 1997.

MANAGEMENT AND CONTROL

Board of Directors

The provisions of ORS 735.610 provide the following:

The board shall consist of nine individuals, eight of whom shall be appointed by the Director of the Department of Consumer and Business Services. The Director of the Department of Consumer and Business Services or the director's designee shall be a member of the board. The chair of the board shall be elected from among the members of the board. The board shall at all times, to the extent possible, include at least one representative of a domestic insurance company licensed to transact health insurance, one representative of a domestic not-for-profit health care service contractor, one representative of a health maintenance organization, one representative of reinsurers and two members of the general public who are not associated with the medical profession, a hospital or an insurer.

The Board complied with all provisions of ORS 735.610. Members of the Board and their respective affiliations at of December 31, 1999, were as follows:

<u>Name</u>	<u>Affiliation</u>
Denise L. Honzel - Board Chair	Vice President & Health Plan Manger Kaiser Foundation Health Plan
Robert Gootee	President & CEO Oregon Dental Service Health Plans
Randy Cline	Senior Vice President Regence BlueCross BlueShield of Oregon
David E. Houck	General Public Representative
Dr. John Santa	Health Care Provider Representative
Cary Walker	Director of Pricing & Underwriting Providence Health Plans
Michael Greenfield	Director DCBS
Beverly Bettis	General Public Representative
Deborah Origer	President CEO PacifiCare of Oregon, Inc.

Administrator and Staff Members

The OMIP staff serving as of December 31, 1999, were:

<u>Name</u>	<u>Title</u>
Howard "Rocky" King	Administrator
Barbara Ries	Deputy Administrator
Karla Messer-Holt	Office Manager
Shawn Muma	Fiscal Manager
Pamela Sloan	OMIP Coordinator

Third Party Administrator

In accordance with the requirements of ORS 735.620, the Pool employs a TPA to conduct most of its operations. The provisions of ORS 735.620 require the OMIP Board to select a TPA through a competitive bidding process and that the TPA shall serve for a period of three years. Since OMIP's inception, Regence BlueCross BlueShield of Oregon (Regence BCBSO) has held the position of TPA for the Pool. The current administrative agreement commenced on February 7, 1999, and

ends on February 6, 2002. Under the terms of the agreement the TPA administers the following areas of OMIP's operations:

- eligibility and enrollment
- administrative claims payment functions relating to the Pool including claims adjudication
- premium billing and collection of premiums
- accounting
- reporting to the board regarding the operation of the Pool including financial, enrollment and actuarial reports
- advertising and marketing
- maintenance of OMIP's records

The TPA is compensated for performing these services on a per member per month basis. The terms of the administrative agreement provide for an annual four percent increase in the per member per month fee to reflect operating cost increases over the contract period.

TERRITORY AND PLAN OF OPERATION

OMIP Plans

There are four plans to choose from as an OMIP member. These plans include a traditional indemnity plan, a preferred provider plan, a managed care plan, and a limited benefit traditional indemnity plan. Premiums are based on the oldest member covered, the number of family members covered, geographic location and the selected plan. The provisions of ORS 735.625(4)(c) limit rates for Pool coverage to 125% of rates established as applicable for individual risks.

Eligibility

Insurance coverage from OMIP is available to Oregon residents who meet the following eligibility requirements as outlined in OMIP's 1998/1999 annual report:

Medical Requirements

A person may be eligible for Pool coverage if within the last six months:

- They were turned down for individual health benefit coverage because of a medical condition, or;
- They had health benefit coverage involuntarily terminated for a reason other than nonpayment of premiums, or;
- Had an agent refuse to apply on their behalf to an individual carrier that they represent because of health conditions.

Portability Requirements

- A person may be eligible for OMIP portability if they make application within 63 days of losing their prior coverage and:
- Have exhausted COBRA benefits and a portability plan is not available, or;
- Are eligible for portability coverage but do not live in the portability carrier's service area, or;
- Move to Oregon and have 18 or more months of continuous coverage, the last of which was group coverage.

Assessments

The provisions of ORS 735.614 allow the Board to impose and collect assessments from insurers whenever the funds of OMIP are or will become insufficient to pay the expenses of the Pool in a timely manner. The Board has approved 18 assessments since OMIP's inception.

RESERVE HISTORY

The following exhibit reflects the reserves of OMIP since 1990. The stated amounts were compiled from copies of OMIP's filed annual financial reports and, where indicated, from the current report of examination.

<u>Calendar Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Reserves</u>
1990	\$1,584,472	\$ 349,913	\$1,234,559
1991	1,831,785	1,063,413	768,372
1992	3,693,555	2,350,995	1,342,560
1993	5,916,461	2,498,979	3,417,482
1994	5,489,340	2,964,597	2,524,743
1995	3,205,940	3,246,650	(40,710)
1996	2,513,873	3,625,235	(1,111,362)
1997	2,297,137	3,446,282	(1,149,145)
1998	4,500,226	4,312,224	188,002
1999*	6,956,957	4,757,935	2,199,022

*Per examination

CLAIMS EXPERIENCE

The following exhibit reflects the annual underwriting results of OMIP since 1991. The amounts were compiled from copies of OMIP's filed annual financial statements.

<u>Calendar Year</u>	(1) <u>Premium Earned</u>	(2) <u>Claims Incurred</u>	(2)/(1) <u>Ratio</u>
1991	\$ 2,314,746	\$ 3,496,054	151%
1992	4,747,003	7,455,157	157%
1993	6,428,335	8,932,448	139%
1994	7,886,782	12,180,014	154%
1995	8,599,818	14,335,260	167%
1996	8,999,951	15,879,641	176%
1997	9,354,109	18,456,546	197%
1998	10,800,452	19,424,513	180%
1999*	14,958,733	25,527,148	171%

*Per examination

A claims incurred to premium earned ratio of more than 100% typically indicates an underwriting loss. As indicated from the ratio column, an underwriting loss occurred in all calendar years since the Pool's inception. However, losses in excess of the premiums earned are offset by assessments to insurers.

REINSURANCE

OMIP does not have any reinsurance contracts in force as of the date of this examination. In accordance with ORS 735.650(2), OMIP is not subject to ORS 731.504 to ORS 731.514, which specify limits of risk and approved reinsurance.

FIDELITY BONDS AND OTHER INSURANCE

Under the terms of the administrative agreement, Article XII, the TPA is required to maintain adequate insurance coverage. From an examination of the TPA that was completed on May 25, 2000, it was determined that Regence BCBSO maintains adequate insurance coverages for its operations including its role as OMIP TPA.

For OMIP employees, insurance coverages are provided by the State of Oregon's Risk Management Division. In addition, employees of OMIP are afforded protection under the State of Oregon's tort laws. The tort laws limit the damages against employees performing services on behalf of the Pool.

PENSION PLANS

OMIP employees (excluding the employees of the TPA) participate in the Oregon Public Employee's Retirement System (PERS), which includes a cost sharing, multiple employer, defined benefit public employee retirement system for state agencies. All employees are eligible to participate in the system after completing six months of service.

ACCOUNTS AND RECORDS

OMIP's records are maintained on a fiscal year basis with the reporting period ending June 30 of each year. OMIP uses this system in order to coincide with the State of Oregon fiscal year end. The TPA prepares financial statements on a fiscal year end format pursuant to the provisions of the administrative agreement. In general, OMIP records supported the figures presented in the year end financial statements. However, the following issues are noted:

Premiums Rates

The DCBS actuary, Ralph Kopp, FSA, MAAA, performed an examination of the Pool's premium rates to determine: (1) the rates charged are within the maximum rates set by statute and (2) that the maximum rates are determined in accordance with statutes. Mr. Kopp noted the following regarding these two issues:

Once each calendar year, the Oregon Medical Insurance Pool Board determines the premiums to be charged for the medical eligibility pool coverage and the portability coverage. Prior to the board meeting, OMIP receives from the Insurance Division a summary of average premiums for various pool coverages. The OMIP Administrator, Rocky King, prepares a memo presented at the board meeting that recommends new premium rates for the pool coverages.

The board does not always follow the recommendations submitted by the OMIP Administrator, and is not always consistent in their approach to rate setting. The rates set are subject to statute, in particular ORS 735.625(4)(c).

Maximum rates do not appear to be determined in accordance with statutes. In some cases premium rates for OMIP coverages may have exceeded the maximum rates. The rate setting approach has deficiencies and needs to be corrected.

In view of the preceding analysis of premium rates, **I recommend the OMIP Board adopt a method of determining maximum rates that is consistent and in accordance with ORS 735.625(4)(c). It is also recommended rules be developed that address the determination of maximum rates.**

Subsequent to the date of this examination, the OMIP Board established the following framework for a premium setting process that would:

- Meet the statutory requirements
- Reflect the individual market
- Not result in arbitrary adjustments
- Allow the Board flexibility, and
- Be consistent from year to year.

Cash

Upon investigating the bank reconciliations for the various accounts, it was discovered that many items dating as far back as 1993 were still outstanding. This was particularly prevalent on the OMIP State Treasury account and the US Bank premium depository account. This matter has been brought to the attention of the TPA who has agreed to write off unreconciled items older than September 30, 1999, as an adjustment to equity. **However, I recommend the TPA, with the cooperation of OMIP, continue to resolve reconciling items in a timely manner. This recommendation is made in accordance with the provisions of Article VII of the administrative agreement.**

Accounts Payable and Other Liabilities

Many of the items included in the various accounts comprising accounts payable and other liabilities were left as outstanding for up to five years. Further, many items were classified into the wrong accounts (See Note 4 to the Statement of Assets, Liabilities, and Surplus). **As a result, I recommend OMIP and the TPA develop a plan to resolve reconciling items in a timely manner. Further, the TPA should be more diligent in classifying items correctly in order to more accurately reflect the accounts' true balances. This recommendation is made in accordance with the provisions of Article VII of the administrative agreement.**

Claim Check Voids

Undeposited receipts consisted of claim checks and premium refunds that were returned to the Pool by the provider for a variety of reasons (i.e., paid to the wrong provider or paid the wrong amount). The balance is offset by a portion of accounts payable and other liabilities under account 4630 (undeposited receipts). During the examination field work, the TPA was not able to provide supporting documentation for undeposited receipts. However, subsequent to the examination field work, the TPA demonstrated that it does maintain the documentation for undeposited receipts and provided the examiners records to support the December 31, 1999, balance of undeposited receipts. Also, there appears to be unexplained differences between actual checks returned to OMIP (finance void) and voided amounts indicated on the subscribers claims history (clear void). Amounts appear to have been voided on the TPA's CAS system with no returned check to verify the voided amount. In addition, actual checks were returned but not reconciled to the subscribers claims history.

Based on the above findings, I recommend the TPA attempt to reconcile any differences between actual checks returned to OMIP (finance voids) and voided amounts indicated on the subscribers claim history (clear void). This recommendation is made in accordance with the provisions of Article VII of the administrative agreement.

Accounts Receivable

A sample of contracts taken from OMIP's accounts receivable contract detail report had a number of exceptions. Ten contracts were cancelled prior to December 31, 1999, but left on the report as receivable balances. Six contracts had subsequent receipts that differed from the amount indicated on the receivable report due to retroactive contract changes. The TPA properly corrected these

balances in the subsequent month. Including an unreconciled difference of (\$4,973), the total net adjustment amounted to (\$24,657). (See Note 2 to the Statement of Assets, Liabilities and Surplus). **As a result of the foregoing, I recommend the TPA adjust the ledger balance to reflect retroactive additions and cancellations, and routinely review the accounts receivable report for inaccurately reported amounts in order to more accurately report the correct receivable balances in the future. This recommendation is made in accordance with the provisions of Article VII of the administrative agreement.**

Internal Controls

A review of the TPA's internal controls determined that it possesses most of the controls prescribed by the NAIC Examiners Handbook. No material exceptions were noted. However, the DCBS internal auditor, in regards to a review of the OMIP office controls, noted the following:

Cash controls are adequate, with two exceptions:

- a) Payments to the TPA are accomplished by wire transfer without supporting documentation, and
- b) the OMIP fiscal manager does not review the bank reconciliations submitted by the TPA.

Although the OMIP office was not able to provide bank documentation supporting payments to the TPA, it was noted that the TPA does send the OMIP office copies of check registers supporting the wire transfers. **Nevertheless, I recommend OMIP correct the cash control deficiencies noted by the DCBS internal auditor.**

Board of Director Minutes

Regular Board meetings are held quarterly. The Board of Directors minutes were reviewed for the period from March 28, 1997 to April 7, 2000. It was noted the Board minutes were recorded in sufficient detail to determine the actions taken by the Board. Overall, the minutes supported the transactions of OMIP. No material exceptions were noted.

OREGON MEDICAL INSURANCE POOL
STATEMENT OF ASSETS, LIABILITIES, AND SURPLUS
As of December 31, 1999

<u>ADMITTED ASSETS</u>	<u>Per OMIP</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Cash	\$7,055,080	(307,594)	\$6,747,486
Accounts receivable:			
Other (Note 1)	159,522	(24,657)	134,865
Undeposited receipts (Note 2)	73,907		73,907
EDP equipment	<u>699</u>	<u> </u>	<u>699</u>
TOTAL ASSETS	<u>7,289,208</u>	<u>(332,251)</u>	<u>6,956,957</u>
 <u>LIABILITIES</u>			
Provision for unpaid claims (Note 3)	3,513,000		3,513,000
Claims processed but unpaid	327,204		327,204
Unearned premiums	625,673		625,673
Accounts payable and other liabilities (Note 4)	<u>22,843</u>	<u>269,215</u>	<u>292,058</u>
TOTAL LIABILITIES	<u>4,488,720</u>	<u>269,215</u>	<u>4,757,935</u>
 <u>RESERVES</u>			
Capital contribution	991,150		991,150
Accumulated surplus	1,819,300	(601,466)	1,217,834
Nonadmitted assets	<u>(9,962)</u>	<u> </u>	<u>(9,962)</u>
TOTAL RESERVES	<u>2,800,488</u>	<u>(601,466)</u>	<u>2,199,022</u>
TOTAL LIABILITIES & RESERVES	<u>\$7,289,208</u>	<u>\$(332,251)</u>	<u>\$7,447,936</u>

OREGON MEDICAL INSURANCE POOL
STATEMENT OF OPERATIONS
For the Year Ended December 31, 1999

<u>INCOME</u>	<u>Per</u> <u>OMIP</u>	<u>Examination</u> <u>Adjustments</u>	<u>Per Examination</u>
Premiums	\$14,958,734		\$14,958,734
Carrier assessments	14,602,754		14,602,754
Interest income	<u>415,119</u>		<u>415,119</u>
Total Income	29,976,607		29,976,607
 <u>EXPENSES</u>			
Claims incurred:			
Claims processed	24,588,148		24,588,148
Change in IBNR	<u>939,000</u>		<u>939,000</u>
Total Claims Expense	<u>25,527,148</u>		<u>25,527,148</u>
 Operating expenses			
Administration fee	1,405,307		1,405,307
Personnel services	112,313		112,313
Supplies and services	53,906		53,906
DCBS support services	75,948		75,948
Agent referral fees	189,000		189,000
Depreciation expense	<u>499</u>		<u>499</u>
Total Operating Expenses	<u>1,836,973</u>		<u>1,836,973</u>
 Total Expenses	 <u>27,364,121</u>		 <u>27,364,121</u>
 INCREASE IN SURPLUS	 <u>\$ 2,612,486</u>		 <u>\$ 2,612,486</u>
 <u>RESERVE ACCOUNT</u>			
Reserves December 31, 1998	\$ 188,002		\$ 188,002
1999 examination adjustments		(601,466)	(601,466)
1999 increase in Pool surplus	<u>2,612,486</u>		<u>2,612,486</u>
Net change in 1999 reserves	<u>2,612,486</u>	<u>(601,466)</u>	<u>2,011,020</u>
Reserves December 31, 1999	<u>\$ 2,800,488</u>	<u>\$(601,466)</u>	<u>\$ 2,199,022</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 - Cash

Per OMIP	\$7,055,080
Per examination	<u>6,747,486</u>
Difference	<u>\$ 307,594</u>

The cash account was understated by amounts that represent fund transfer activity which were classified in the accounts payable account. This amount was \$183,385 and represents a reclassification from accounts payable to the cash account. In addition, there was \$(490,978) of various unrecorded cash debits and credits for a net reduction to cash of \$307,594.

Note 2 - Accounts Receivable - Other

Per OMIP	\$159,522
Per examination	<u>134,865</u>
Difference	<u>\$(24,657)</u>

The Pool's year-end receivable balance was not adjusted to reflect retroactive cancellations and additions in the amounts of (\$45,877) and \$41,923, respectively. There were receivable balances related to contracts that were not terminated in the membership system properly in the amount of (\$15,730). Including an unreconciled difference of (\$4,973), the total net examination adjustment to the 1999 year-end balance of accounts receivable - Other was (\$24,657). See the Accounts and Records section of this report for a discussion of this account.

Note 3 - Provision for Unpaid Claims

Per OMIP	\$3,513,000
Per examination	<u>3,513,000</u>
Difference	<u>\$ 0</u>

The DCBS actuary performed an examination of the Pool's provision for unpaid claims, as of December 31, 1999. The scope of his examination included a review of the Pool's methodology and assumptions with respect to estimating the liability for unpaid claims. In addition, he performed a recalculation of the liability. Based on these procedures, he concluded that the liability was sufficient and in compliance with Oregon law. No material exceptions were noted. The detailed results of the actuarial findings are summarized in the actuarial examination letter contained in the supporting work papers.

Note 3 - Accounts Payable

Per OMIP	\$(22,844)
Per examination	<u>292,059</u>
Difference	<u>\$269,215</u>

As discussed in the Accounts and Records section of this report, accounts payable included many outstanding items dating as far back as 1994 in the amount of \$85,830. The TPA is attempting to clear these items and then write off all outstanding items prior to September 30, 1999 as an adjustment to equity. \$183,385 of the difference in the accounts payable account represents fund transfer activity that should be classified as cash. The examiner balance includes all items outstanding after September 30, 1999. The examination differences by OMIP general ledger account are as follows:

<u>General Ledger Number</u>	<u>Account Description</u>	<u>Per OMIP</u>	<u>Per Examination</u>	<u>Difference*</u>
3852	Accounts payable	\$212,338	\$ (44,261)	\$256,599
4629	Nongroup retro term	12,413	1,171	11,242
4630	Undeposited receipts	(73,907)	(73,907)	
4631	CAS reissues	4,365	260	4,105
4632	Claims refunds	(6,857)	(6,857)	
4633	Claims refunds - CHC	(122)	(122)	
4634	Billing agent clearing	(91,718)	(109,887)	18,169
4635	Nongroup premium refunds	(31,276)	9,400	(21,876)
4636	Nongroup debit refunds	24,143	2,034	22,109
4637	Members control cash	(38,654)	(38,654)	
4638	Unallocated members cash	<u>(33,569)</u>	<u>(12,436)</u>	<u>(21,133)</u>
Total		<u>\$(22,844)</u>	<u>\$(292,059)</u>	<u>\$269,215</u>

*Brackets indicate a credit balance.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following are issues and concerns the examiner believes should be brought to the Board's attention as a result of this examination.

Page

- 11 I recommend the OMIP Board adopt a method of determining maximum rates that is consistent and in accordance with ORS 735.625(4)(c). It is also recommended rules be developed that address the determination of maximum rates.
- 12 I recommend the TPA, with the cooperation of OMIP, continue to resolve reconciling items in a timely manner. This recommendation is made in accordance with the provisions of Article VII of the administrative agreement.
- 12 I recommend OMIP and the TPA develop a plan to resolve reconciling items in a timely manner. Further, the TPA should be more diligent in classifying items correctly in order to more accurately reflect the accounts' true balances. This recommendation is made in accordance with the provisions of Article VII of the administrative agreement.
- 13 I recommend the TPA attempt to reconcile any differences between actual checks returned to OMIP (finance voids) and voided amounts indicated on the subscribers claim history (clear void). This recommendation is made in accordance with the provisions of Article VII of the administrative agreement.
- 13 I recommend the TPA adjust the ledger balance to reflect retroactive additions and cancellations, and routinely review the accounts receivable report for inaccurately reported amounts in order to more accurately report the correct receivable balances in the future. This recommendation is made in accordance with the provisions of Article VII of the administrative agreement.
- 14 I recommend OMIP correct the cash control deficiencies noted by the DCBS internal auditor.

CONCLUSION

A reduction in OMIP's December 31, 1999, reserves was made for purposes of this examination. However, the examination difference of \$(601,466) in reserves will be booked by OMIP as a current period adjustment. With the exception of those issues noted in this report, the Pool appears to comply with all other provisions of ORS 735.600 through ORS 735.650. In addition, the TPA appears to be performing its responsibilities in accordance with all material aspects of the administrative agreement.

ACKNOWLEDGMENT

The cooperation and assistance extended by the administrator, employees and TPA employees of OMIP during the examination process are gratefully acknowledged.

In addition to the undersigned, Mark A. Giffin, CFE, and Ralph Kopp, FSA, MAAA, Life and Health Actuary, for the State of Oregon, Department of Consumer and Business Services, Insurance Division, participated in the examination.

Respectfully submitted,

D. Patrick Huth, CFE
Supervising Insurance Examiner
Insurance Division
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)
County of Marion) ss

D. Patrick Huth, CFE, being duly sworn, deposes and says that the preceding report of financial examination as of December 31, 1999, of the Oregon Medical Insurance Pool Salem, Oregon, subscribed by him is true and correct to the best of his knowledge and belief.

D. Patrick Huth, CFE
Supervising Insurance Examiner
Insurance Division
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this _____ day of _____, 2000.

Notary Public for the State of Oregon