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STATE OF ALASKA
DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE

In re:)
)
APPLICATION OF WASHINGTON STATE)
PHYSICIANS INSURANCE ASSOCIATION, INC.)
FOR LICENSURE AS ATTORNEY-IN-FACT)
FOR PHYSICIANS INSURANCE EXCHANGE.)
_____)

Case No. LD94-01

STATEMENT OF ISSUES

David J. Walsh, Director, Division of Insurance (Division), Department of
Commerce and Economic Development, State of Alaska, states:

1. On or about February 4, 1994, an attorney-in-fact license application
was received from Washington State Physicians Insurance Association, Inc.
(WSPIA).

2. AS 21.75.045(c)(7) requires that an applicant for licensure as an
attorney-in-fact:

provide certified financial statements for the prior two years prepared
by an independent certified public accountant that establish that the
applicant is solvent, that the applicant's system of accounting, internal
control, and procedure is operating effectively to provide reasonable
assurance that money is promptly accounted for and paid to the
person entitled to the money, and any other information that the
director may require to review the current financial condition of the
applicant[.] (emphasis added)

3. Included with the application were the certified financial statements
required under AS 21.75.045(c)(7). A review of these statements by Gloria G.

1 Glover, CFE, one of the Division's financial examiners, reveals that WSPIA
2 combined with its subsidiary, Association Insurance Services, Inc. (AIS), is not
3 solvent since the stockholders' equity is below zero. The table showing the
4 consolidation does show WSPIA itself solvent; however, the value of AIS on
5 December 31, 1992 at \$20,000 on WSPIA's balance sheet is questionable due to
6 its reported insolvency. The receivable of \$80,000 from AIS, an insolvent
7 subsidiary, is also of questionable collectability.
8

9 4. The application did not include a letter of internal control from an
10 independent certified public accountant necessary under AS 21.75.045(c)(7).
11

12 5. Pursuant to AS 21.75.045(b), the application of Washington State
13 Physicians Insurance Association for licensure as an attorney-in-fact is hereby
14 denied unless and until the requirements under AS 21.75.045(c)(7) are met by
15 WSPIA.

16 DATED this 23rd day of February, 1994.

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20 DAVID J. WALSH
21 Director
22 Division of Insurance

23 By *Thelma Snow Walker*
24 Thelma Snow Walker
25 Deputy Director
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