

BEFORE THE INSURANCE COMMISSIONER OF THE  
STATE OF OKLAHOMA

FILED

APR 01 2022

INSURANCE COMMISSIONER  
OKLAHOMA

STATE OF OKLAHOMA, ex rel. GLEN  
MULREADY, Insurance Commissioner,

Petitioner,

v.

ROYA INSURANCE COMPANY, INC.,  
a licensed captive in the State of Oklahoma,

Respondent.

Case No. 21-0501-DIS

**FINAL ADMINISTRATIVE ORDER**

That on March 24, 2022, a show cause hearing was held on the Oklahoma Insurance Department's ("OID") *Conditional Administrative Order and Notice of Right to Be Heard*, filed November 17, 2021. The hearing was held at the offices of OID and telephonically before Independent Hearing Examiner Stephan Mathis. Present at the hearing were Teresa L. Green, Deputy General Counsel for OID; Donald Ashwood for OID's Captive Division; and Habib Torfi, General Partner for Roya Insurance Company, Inc. ("Respondent").

Upon consideration of the evidence, the Hearing Examiner makes the following findings of fact and conclusions of law.

**FINDINGS OF FACT**

1. That OID has jurisdiction over the subject matter of this action pursuant to *36 O.S. §§ 101, et al.*
2. That the Insurance Commissioner has the authority to render an Order concerning the above styled matter and has lawfully appointed Independent Hearing Examiner, Stephan Mathis, who sat as a quasi-judicial officer pursuant to *36 O.S. § 319*.

3. On or about August 4, 2021, Larson & Company ("Auditor") issued Financial Statements and Independent Auditor's Report for Respondent for the years ending December 31, 2020 and 2019 (the "Auditor's Report"). (Testimony of Donald Ashwood and Petitioner's Exhibit 1.)

4. The Auditor stated in the Auditor's Report the following:

Under the laws and regulations of the State of Oklahoma..., the Company is required to maintain a minimum of \$250,000 in unimpaired capital and surplus....Throughout 2019, the Company was out of compliance with the surplus minimum requires in March, April and the end of December. Throughout 2020, the Company was out of compliance with the surplus minimum requirements for all months except for March and April. Also, during 2020 dividends were paid to the owner of the Company without obtaining prior approval from the Oklahoma Department of Insurance Captive Director as required.

(Testimony of Donald Ashwood and Petitioner's Exhibit 1.)

5. The Auditor stated in the Auditor's Report that "[d]uring the years ending December 21, 2020 and 2019, there were dividends paid to the owner in the amount of \$265,175 and \$0, respectively." (Testimony of Donald Ashwood and Petitioner's Exhibit 1.)

6. The OID did not approve the dividend payment noted in the Auditor's Report.  
(Testimony of Donald Ashwood.)

7. Pursuant to 36 O.S. § 6470.6(A), pure captive insurance companies must maintain \$250,000 in unimpaired aggregate paid-in capital and surplus.

8. Pursuant to 36 O.S. § 6470.6(D), captive insurance companies may not pay a dividend without prior approval of the Insurance Commissioner.

9. Pursuant to 36 O.S. § 319, the ordinary fees and costs of the Hearing Examiner shall be assessed against the Respondent, unless the Respondent is the prevailing party.

**CONCLUSIONS OF LAW**

10. Respondent violated on two (2) occasions 36 O.S. § 6470.6(A) by failing to maintain \$250,000 in unimpaired aggregate paid-in capital and surplus.

11. Respondent violated 36 O.S. § 6470.6(D) by paying a dividend without prior approval by the Insurance Commissioner when Respondent paid \$265,175 in dividends in 2020 without obtaining approval from the Oklahoma Insurance Department.

**ORDER**

**IT IS THEREFORE ORDERED, ADJUDGED AND DECREED** that it has been established by clear and convincing evidence that Respondent Roy Insurance Company, Inc. violated 36 O.S. § 6470.6(A) on two (2) occasions and 36 O.S. 0167 6470.6(D) on one (1) occasion and, as a result, the FINE in the amount of FIFTEEN THOUSAND DOLLARS (\$15,000.00) issued in the *Conditional Administrative Order and Notice of Right to Be Heard*, filed November 17, 2021, is hereby upheld.

**IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that Respondent is ordered to pay the ordinary fees and costs of the Hearing Examiner in the amount of TWO HUNDRED FIFTY DOLLARS (\$250.00). The costs are to be paid by money order or cashier's check to the Oklahoma Insurance Department within thirty (30) days of this Final Administrative Order.

Done this 29<sup>th</sup> day of March, 2022.



A handwritten signature in blue ink, appearing to read "Stephan Mathis".

STEPHAN MATHIS  
INDEPENDENT HEARING EXAMINER  
OKLAHOMA INSURANCE DEPARTMENT