

BEFORE THE INSURANCE COMMISSIONER OF THE
STATE OF OKLAHOMA

FILED
OCT 26 2023
INSURANCE COMMISSIONER
OKLAHOMA

STATE OF OKLAHOMA, ex rel. GLEN)
MULREADY, Insurance Commissioner,)
)
Petitioner,)
v.)
)
UNIVERSAL CASUALTY RISK RETENTION)
GROUP, INC., a licensed risk retention group)
in the State of Oklahoma,)
)
Respondent.)

Case No. 23-0535-SOL

EMERGENCY ORDER OF SUPERVISION INSTANTER
AND NOTICE OF RIGHT TO BE HEARD

COMES NOW the State of Oklahoma, ex rel. Glen Mulready, Insurance Commissioner (“Insurance Commissioner”), by and through his attorney, Teresa L. Green, and alleges and states as follows:

JURISDICTION

1. Glen Mulready is the Insurance Commissioner of the State of Oklahoma and, as such, is charged with the duty of administering and enforcing all provisions of the Oklahoma Insurance Code, 36 O.S. §§ 101–7402.

2. Universal Casualty Risk Retention Group, Inc. (“UCRRG,” “Company,” or “Respondent”) is authorized to do business in Oklahoma as a risk retention group, pursuant to SBS Number 44202943 and NAIC CoCode 16286. UCRRG’s mailing address of record is 380 N. Broadway, Suite 400, Jericho, NY 11753.

3. The Insurance Commissioner has jurisdiction over this matter pursuant to the OKLA. CONST. art. VI, § 22 and the Oklahoma Insurance Code, specifically the Oklahoma Risk

Retention Act, 36 O.S. §§ 6451–6468 and Article 18 Supervisors and Conservators of Insurances, 36 O.S. §§ 1801–12.

4. Pursuant to OAC 365:1-7-9(a), the Insurance Commissioner under the circumstances agreed to herein by the Company may order emergency action.

FINDINGS OF FACT

5. On or about March 1, 2023, the Company filed its original annual statement that showed an RBC ratio of 126.9% with the Oklahoma Insurance Department (“OID”).

6. Pursuant to 36 O.S. § 1525(A)(1) & (C), a regulatory action level event is triggered when RBC ratios are below 150% and requires a risk-based capital (“RBC”) plan must be submitted within forty-five (45) days.

7. The OID requested the Company submit an RBC plan due to the RBC ratio.

8. On or about May 15, 2023, the Company submitted to OID projections for an RBC plan. Projections alone are not sufficient for an RBC plan. *See* 36 O.S. § 1524(B).

9. On or about May 15, 2023, the Company filed a first amendment to its annual statement which showed an RBC ratio of -17.6%.

10. Pursuant to 36 O.S. § 1527(A) & (B)(2), a mandatory control level event is triggered when a RBC ratio is below 70%, and the Insurance Commissioner may place the insurer under regulatory control, including supervision.

11. On or about June 19, 2023, the Company submitted to OID the narrative for the RBC plan. At this time, the OID understood the Company intended the RBC plan to be complete and filed.

12. Pursuant to 36 O.S. § 1525(A)(5), a regulatory action event is also triggered when the insurer fails to submit an RBC plan to the Insurance Commissioner within 45 days after the occurrence of the regulatory action level event.

13. The RBC plan was required as of March 1, 2023; was due on April 15, 2023; and was filed on June 19, 2023.

14. On or about August 15, 2023, the Company filed the Audited Financial Statement which included an auditor note that there had been an adjustment resulting in a decrease in the surplus amount.

15. On August 23, 2023, the OID finalized review of the RBC plan and notified the Company that the RBC plan did “not address[] all the items in...36 O.S. §1524(B).” Importantly, the RBC plan did not include any of the items required in section 1524(B).

16. On or about August 30, 2023, the OID notified the Company that the submitted RBC plan was, in the judgment of the Insurance Commissioner, unsatisfactory for the reasons provided for in in the August 23, 2023, letter and that the same provided the expected changes or additions necessary to address in the revised RBC plan.

17. Pursuant to 36 O.S. § 1525(6), the August 30, 2023 notice constitutes a regulatory action level event with respect to UCRRG.

18. On or about September 5, 2023, the Company filed a second amendment to its annual statement which showed an RBC ratio of -44.7%.

19. On or about September 8, 2023, the Company submitted the revised RBC plan. The revised RBC plan is still under review by the OID.

20. On or about October 10, 2023, the OID was informed by UCRRG’s Board of Directors, through its counsel, that Board Member and President Tim Derham had opened a bank

account in the Company's name using a Corporate Resolution that named Troy Van Zile as the Secretary of the Company, but that Mr. Van Zile was not the Secretary of the Company. Further, the OID was informed that Mr. Derham had moved approximately three million dollars (\$3,000,000.00) of the Company's funds into that account but that the Board had intervened and currently has control of the funds.

21. Pursuant to 36 O.S. § 6453(12)(e), risk retention groups are solely owned by policyholders.

22. Pursuant to 36 O.S. § 1803, OID finds UCRRG's condition is such as to render the continuation of its business to be hazardous to the public or to the holders of its policies or certificates of insurance.

23. The Insurance Commissioner finds that it is in the best interests of UCRRG's policyholders or members, creditors, and the public that UCRRG be placed under supervision.

24. Pursuant to OAC 365:1-7-9(a), the OID may take emergency action when the public health, safety, or welfare imperatively requires emergency action.

CONCLUSIONS OF LAW

25. Pursuant to OAC 365:1-7-9(a), emergency action is appropriate here because the public healthy, safety, or welfare imperatively requires emergency action because the Company has (1) continued to decline in the RBC ratio below acceptable amounts, (2) filed the RBC plan past the forty-five (45) days, (3) filed an unsatisfactory RBC plan, and (4) lost control of \$3,000,000.00 of cash in this risk retention group, which is solely owned by policyholders.

26. The Insurance Commissioner is authorized, pursuant to 36 O.S. §§ 1527(B) and 1803, to place the Company under supervision to address the situation.

27. The Insurance Commissioner is authorized, pursuant to 36 O.S. § 1804, to appoint a supervisor, to require that the Company conduct its business in a certain manner as ordered and to refrain from engaging in certain acts.

ORDER

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED, pursuant to 36 O.S. § 1803, that the Company is hereby placed under the **SUPERVISION** of the Oklahoma Insurance Department, effective immediately.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED, pursuant to 36 O.S. § 1803, the Company may abate the Insurance Commissioner's determination by complying with the following requirements:

- a. The Company shall increase the RBC ratio to at least 300% and to maintain an RBC ratio of at least 300%;**
- b. The Company shall file all required filings, complete and accurate, before or by the due date for eighteen (18) consecutive months;**
- c. The Company shall comply with all required laws in the State of Oklahoma; and**
- d. The Company shall comply with all discretionary laws in the State of Oklahoma upon written request by the OID.**

IT IS FURTHER ORDERED, ADJUDGED AND DECREED, pursuant to 36 O.S. § 1804, that the Insurance Commissioner may and will appoint a supervisor for the insurer ("Supervisor"). The Insurance Commissioner's designated supervisor shall have all powers of a supervisor and examiner outlined in the Oklahoma Insurance Code and with costs incident to the supervisor's services and any other services performed by the Insurance Commissioner's employees, examiners, and counsel to be fixed by the Insurance Commissioner and paid from the Company's

assets and funds that the Insurance Commissioner may determine.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED by the Insurance Commissioner, that the Supervisor perform the following acts as needed:

- a. Conduct an examination of the Company;
- b. Make inventory of all Company assets;
- c. Collect agent balance receivables;
- d. Identify and terminate all unnecessary expenses; and
- e. Take such other actions as the Insurance Commissioner and Supervisor may determine to be necessary to protect the Company's policyholders or members, creditors, and public.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED by Insurance Commissioner, that the Company shall continue processing and servicing its claims and policyholders.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED by Insurance Commissioner, that the Company shall continue to make timely claims payments during supervision.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED by Insurance Commissioner, that the Company shall immediately begin filing with the Insurance Commissioner complete and accurate monthly financial reports which shall include balance sheet, income statement, cash flow statement, and any other financial reports requested by the Insurance Commissioner. The monthly reports must be delivered to the Insurance Commissioner no later than the 15th day of the following month. The Company shall provide the Insurance Commissioner any additional documents that the Insurance Commissioner deems necessary after reviewing the

monthly financial statements.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED by the Insurance Commissioner, that the Company shall provide quarterly actuarial reviews, which may be reduced as the Supervisor deems appropriate.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED by the Insurance Commissioner and with the consent of the Company, that the Company shall file a plan of operation designed to bring the Company into compliance with all relevant provisions of the Oklahoma Insurance Code.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED by the Insurance Commissioner, that the Company shall fund a special deposit to be held by the Insurance Commissioner under joint control with the Company. The amount of the special deposit shall be determined by the Supervisor based on (1) the financial condition of the Company, (2) the current lack of deposit with the Insurance Commissioner due to the Company being an RRG, and (3) other relevant factors that the Supervisor deems appropriate. The purpose of a special deposit would be to assure the continuation of services to the Company's policyholders if the Company is no longer able to do so.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED by the Insurance Commissioner, that the Company may not perform the following acts without the express written consent from the Insurance Commissioner or supervisor, including:

- a. With the exception of routine claim payments, making a cash disbursement in excess of \$5,000.00;
- b. Disposing, conveying, or encumbering any of its assets or its business in force;
- c. Withdrawing funds from bank accounts, except as provided for in subsection a;

- d. Lending any funds;
- e. Investing any funds;
- f. Transferring any property;
- g. Destroying any books or records (physical or digital);
- h. Relocating or moving any books or records (physical or digital);
- i. Incurring any debt, obligation, or liability;
- j. Merging or consolidating with any company or entity, or entering into an agreement to be acquired by another company, entity, or person;
- k. Issuing any capital stock or capital notes, including surplus notes;
- l. Entering into any new reinsurance contract or treaty or modifying (including terminating) any existing reinsurance contract or treaty;
- m. Releasing, paying, or refunding premium deposits, or member security deposits and surplus deposits, unearned premiums, or other reserves on any insurance policy, certificate or contract;
- n. Making any material change in management;
- o. Increasing salaries and benefits of officers, directors, or employees;
- p. Making any bonus payment to any officer, director, or employee;
- q. Entering into or modifying any existing employee pension or other employee benefit plan;
- r. Entering into or modifying any existing employment contract with any officer, director, employee, or any other person;
- s. Paying dividends or making other distributions to shareholders;
- t. Making payments, loans, or advances of any type and for any reason to affiliates;

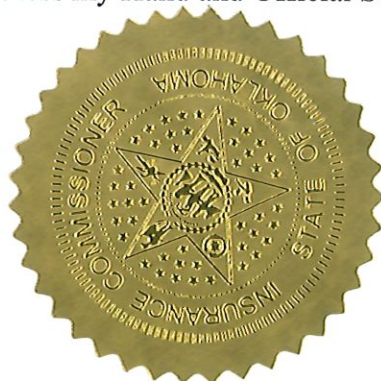
- u. Entering into new, or modifying existing, affiliated agreements; or
- v. Modifying or terminating any contract or agreement with any vendor that provides administrative, claims, or other services.


IT IS FURTHER ORDERED, ADJUDGED AND DECREED by the Insurance Commissioner, that nothing in this Order shall preclude the Insurance Commissioner from seeking additional or separate action pursuant to Article 18 and Article 19 of the Oklahoma Insurance Code.

Respondent may request a hearing be held regarding this emergency action. OAC 365:1-7-9(a). Such request for hearing shall be received within thirty (30) days from the date of receipt of this order. A request for hearing shall be made in writing addressed to Teresa Green, Senior Counsel, Oklahoma Insurance Department, 400 N.E. 50th Street, Oklahoma City, Oklahoma 73105. Upon such request for hearing, the Insurance Department shall conduct the hearing within ten (10) days of receipt of the request, unless the independent hearing examiner is not available, at which time the hearing shall be conducted within a reasonable time.

An independent hearing examiner shall conduct the hearing. Respondent may have a court reporter transcribe the proceedings, and Respondent shall be responsible for the costs. If Respondent fails to request a hearing within the required period, this Order shall continue in full force and effect.

Witness my Hand and Official Seal this 26 day of October, 2023.





GLEN MULREADY
INSURANCE COMMISSIONER
STATE OF OKLAHOMA