

BEFORE THE INSURANCE COMMISSIONER OF THE
STATE OF OKLAHOMA

FILED

MAR 26 2024

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

**INSURANCE COMMISSIONER
OKLAHOMA**

CASE NO. 24-0189-DIS

SUSPENSION INSTANTER DUE TO HAZARDOUS FINANCIAL CONDITION

On this 26th day of March 2024, the State of Oklahoma, ex rel., Glen Mulready, Insurance Commissioner (the “Commissioner”) issues this Order to Universal Casualty Risk Retention Group, Inc. (the “Respondent”).

JURISDICTION

1. The Insurance Commissioner has jurisdiction over this matter pursuant to the Oklahoma Insurance Code, 36 O.S. §§ 101 et seq., including the Oklahoma Risk Retention Act, 36 O.S. §§ 6451 et seq., the Authorization of Insurers and General Requirements, 36 O.S. §§ 601 et seq., and Article 18 Supervisors and Conservators of Insurers, 36 O.S. §§ 1801 et seq.
2. The Respondent is an Oklahoma risk retention group and is licensed by the State of Oklahoma as an insurance company, holding license number 44202943 and NAIC Code 16286. Respondent is authorized to transact casualty (including vehicle) line(s) of business in Oklahoma. Respondent’s address of record is 380 N. Broadway, Suite 400, Jericho, New York 11753.
3. Pursuant to 75 O.S. § 314.1 and OAC 365:1-7-9, if the public health, safety, or welfare imperatively requires emergency action, such action, including the suspension of a license instanter, may be ordered pending the final outcome of proceedings instituted by the Insurance Department.
4. The Respondent is currently operating under an *Emergency Order of Supervision Instanter and Notice of Right to be Heard* filed October 26, 2023 (“*Emergency Order of Supervision*,” attached as Exhibit

A), in Oklahoma Insurance Department (“OID”) case number 23-0535-SOL.

5. Donna L. Wilson is currently acting as the supervisor for the Respondent and is vested with all the powers and authority contemplated in 36 O.S. §§ 1801 et seq.

FINDINGS OF FACT

6. On or about July 19, 2023, an administrative hearing in *State of Oklahoma ex rel. Glen Mulready v. Universal Casualty Risk Retention Group, Inc.*, Case Number 22-0147-DIS, was held in front of a hearing examiner at the office of the Insurance Department. Respondent was fined a total of \$422,300.00 for twelve (12) violations of the Insurance Code. The hearing examiner held, in relevant part: “it has been established by clear and convincing evidence that Respondent Universal Casualty Risk Retention Group, Inc. violated 36 O.S. § 619(A)(2) on two (2) occasions; 36 O.S. § 1636 on seven (7) occasions; 36 O.S. § 1605 on one (1) occasion; 36 O.S. § 1523(A) on one (1) occasion; 36 O.S. § 607. 1(E) on one (1) occasion; 36 O.S. § 311.1(8) on one (1) occasion; and 36 O.S. 311A.II on one (1) occasion. Respondent has appealed that Order.

7. On or about October 26, 2023, Respondent was placed under the supervision of the OID pursuant to 36 O.S. § 1803 and 36 O.S. § 1527(B) because Respondent 1) had an RBC ratio below acceptable amounts, 2) filed its RBC plan late, 3) filed an unsatisfactory RBC plan, and 4) lost control of \$3,000,000.00 of cash. *See Exhibit A*, ¶25.

8. Respondent reserved the right to request a hearing in the Emergency Supervision action but waived the requirement under OAC 365:1-7-9 for a hearing in ten (10) business days.

9. Pursuant to the *Emergency Order of Supervision*, the Respondent was ordered to immediately begin filing complete and accurate monthly financial reports, which were due no later than the 15th day of the following month. *See Exhibit A*, Pg. 6 ¶ 4. The Respondent has failed to timely file the required monthly financial reports. The monthly financial reports for January 2024 and February 2024 were **both** filed on or about March 21, 2024.

10. Pursuant to the *Emergency Order of Supervision*, the Respondent was ordered to file a plan of operation designed to bring the company into compliance with all relevant provisions of the Oklahoma Insurance Code. *See Exhibit A*, Pg. 7 ¶ 2. As of the date of this Order, the Respondent has failed to file the

plan of operation.

11. Pursuant to 36 O.S. § 311(A)(1), all insurers authorized to do business under the provisions of the insurance code shall, annually, on or before the first day of March, file with the National Association of Insurance Commissioners (“NAIC”), statements which shall exhibit the financial condition of insurers on the thirty-first day of December of the previous year and its business of that year. Risk retention groups, such as the Respondent, must file an annual statement with the OID pursuant to 36 O.S. § 6454(A)(2).

12. The Respondent’s 2023 Annual Statement was due March 1, 2024. OID granted an extension to file until March 15, 2024. As of the date of this Order, the Respondent has failed to file its 2023 Annual Statement.

13. As of this date, the financial condition of the Respondent has not improved to satisfactory levels and the Respondent has willfully continued to disregard both the requirements of the Insurance Code and the *Emergency Order of Supervision*. Consequently, emergency action should be taken to protect the interests of the Respondent’s policyholders, creditors, and the general public.

14. Pursuant to 36 O.S. § 619(A)(2) and (A)(3), the Commissioner may suspend an insurer’s certificate of authority, in addition to other grounds in the insurance code, if the insurer knowingly fails to comply with any lawful rule or order of the Commissioner or is found by the Commissioner to be in unsound condition or in such a condition as to render its further transaction of insurance in this state hazardous to its policyholders or to the people of this state.

15. Additionally, pursuant to 36 O.S. § 6103.5(2), the Insurance Commissioner may issue a cease-and-desist order, ex parte, if it appears to the Commissioner that the alleged conduct is hazardous or creates an immediate danger to the public safety or is causing or can be reasonably expected to cause significant, imminent, and irreparable public injury. *See also* 75 O.S. § 314.1; OAC 365:1-7-9.

CONCLUSIONS OF LAW

1. The Respondent's continued failure to comply with the requirements of not only the Insurance Code, but also the *Emergency Order of Supervision* , and its continued hazardous financial condition render its further transaction of insurance in this state hazardous to its policyholders and to the people of this state,

thereby requiring the immediate suspension of its certificate of authority pursuant to 36 O.S. §§ 619(A) and 6103.5(2); 75 O.S. § 314.1; OAC 365:1-7-9.

2. Respondent is in violation of 36 O.S. § 6454(A)(2) and 36 O.S. § 311(A)(1) by failing to timely file its 2023 Annual Statement.

3. Respondent is in violation of 36 O.S. § 619(A)(2) by failing to timely file monthly financial reports for January 2024 and February 2024 in accordance with the *Emergency Order of Supervision*, as well as failing to file the required plan of operation.

4. Pursuant to 36 O.S. § 619(C), the Commissioner concludes as a matter of law that the Respondent should be prohibited from writing or issuing any new insurance in this state. The Respondent shall continue to service existing policies, adjust claims under existing policies and do all matters necessary to attending existing business in a proper and businesslike manner and in a manner in accordance with the *Emergency Order of Supervision*.

5. Under the authority granted during any period of supervision, pursuant to 36 O.S. § 1804(B), the Commissioner may require the Respondent to limit or cease writing certain lines of insurance.

ORDER

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED that Respondent Universal Casualty Risk Retention Group, Inc's Certificate of Authority to write business in the State of Oklahoma is suspended IMMEDIATELY.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED by the Insurance Commissioner that the Respondent is prohibited from writing or issuing any new or renewal insurance from the date of this Order. The Respondent shall continue to service existing policies, adjust claims under existing policies and do all matters necessary to service existing business in a proper and businesslike manner and in a manner in accordance with the *Emergency Order of Supervision*.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Order is effective immediately and shall continue in full force and effect until further order of the Commissioner. The Respondent may request a hearing within thirty (30) days of receipt of this Order to determine if any

reason(s) exist that should preclude the action taken herein. Any request for hearing shall be in writing, addressed to Teresa L. Green, Oklahoma Insurance Department, Legal Division, 400 NE 50th Street, Oklahoma City, Oklahoma 73105. Any such hearing shall be conducted in accordance with the Administrative Procedures Act, 75 O.S. §§ 250 et seq., the Oklahoma Insurance Code, 36 O.S. §§ 101 et seq., and OAC 365:1-7-1 et seq.

WITNESS My Hand and Official Seal this 26 day of March 2024.



State of Oklahoma
Oklahoma Insurance Department



THE HONORABLE GLEN MULREADY
Insurance Commissioner

CERTIFICATE OF MAILING

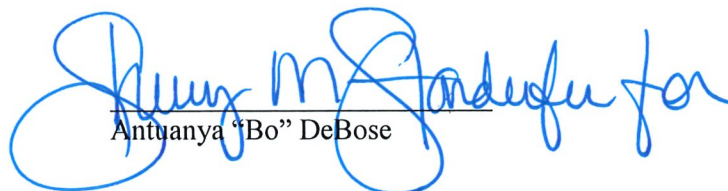
I, Antuanya "Bo" DeBose, hereby certify that a true and correct copy of the above and foregoing Order to Cease and Desist was electronically mailed and mailed postage prepaid with return receipt requested on this 26th day of March 2024 to:

J. Clay Christensen
Christensen Law Group, PLLC
The Parkway Building
3401 NW 63rd Street, Suite 600
Oklahoma City, Oklahoma 73116

CERTIFIED MAIL
9589 0710 5270 0154 8791 08

and a copy was sent to:

Oklahoma Receivership Office
OID Financial Division



Antuanya "Bo" DeBose

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)(c), 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