

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OKLAHOMA**

STATE OF OKLAHOMA, ex rel. JOHN D. DOAK, Insurance Commissioner,)	
)	
Petitioner,)	
)	
v.)	Case No. 14-0242-SOL
)	
RED ROCK INSURANCE COMPANY, a licensed Insurer in the State of Oklahoma,)	
)	
Respondent.)	
)	

FILED
MAY 19 2014
INSURANCE COMMISSIONER
OKLAHOMA

NOTICE AND ORDER OF SUPERVISION

COMES NOW the State of Oklahoma, ex rel. John D. Doak, Insurance Commissioner, having reviewed information received relating to Red Rock Insurance Company, an Oklahoma domiciled insurance company ("the Company" or "Red Rock"), and finds and orders as follows:

JURISDICTION

1. John D. Doak is the duly elected Insurance Commissioner of the State of Oklahoma, and as such is charged with administering and enforcing the Oklahoma Insurance Code, Title 36 O.S. §§ 101 et seq.
2. The Company is a licensed Oklahoma domestic insurer, Certificate of Authority Number 1132, NAIC Company Code 18538, authorized to transact Property, Casualty, Marine, Surety, Workers Compensation and Accident & Health Insurance in the State of Oklahoma.
3. The Insurance Commissioner has jurisdiction over this matter pursuant to the Oklahoma Constitution Article 6 § 22; and the Oklahoma Insurance Code, 36 O.S. § 101, et seq., specifically pursuant to: Article 18 Supervisors and Conservators of Insurances, 36 O.S. §§ 1801 et seq.

FINDINGS OF FACT

1. At December 31, 2013 the Company had \$21,507,187 surplus as regards policyholders and was in hazardous financial condition due to a net operating loss of \$8,320,485, an amount which exceeded twenty percent (20%) of the Company's remaining surplus as regards policyholders.

2. The Company acknowledged it was in hazardous financial condition for the reasons set out above and consented to an Order of Hazardous Financial Condition issued March 13, 2014 (Exhibit "A") ordering it to comply with the following requirements, to the Commissioner's satisfaction:

- a. **The Company must file monthly financial reports in a form acceptable to the Commissioner until such time that the Commissioner determines the Company is no longer in hazardous financial condition;**
- b. **The Company must immediately begin the process of withdrawing its capital investment in the UST Core Plus Fund, LLC according to the terms of its agreement with UST Plus Management, LLC and reinvest the capital in compliance with statutory eligible investments that are suitable to the Commissioner;**
- c. **The Company must provide a business plan acceptable to the Commissioner.**

3. Red Rock received a wire transfer of \$5,000,000 from the UST Core Plus Fund, LLC on April 21, 2014 but has failed to withdraw and reinvest the remaining capital in the UST Core Plus Fund, LLC in compliance with statutorily eligible investments. The conditions that lead to the Notice of Hazardous Financial Condition and Order have not been abated.

4. An insurer shall not, except with the consent of the Insurance Commissioner, have at any one time any combination of checking account moneys, investments in or loans upon the security of the obligations, property, or securities of any one person, institution, corporation, aggregating an amount exceeding ten percent (10%) of the insurer's assets. 36 O.S. § 1605.

5. Red Rock was in violation of this statute and on March 4, 2014, requested an exemption from compliance with Title 36 O.S. § 1605. The request was denied by the Department by letter which stated that any portions of any investment that exceed 10% of the Company's assets are to be non-admitted and reflected as such in the Company's March 31, 2014 Quarterly Statement (Exhibit "B").

6. A review of the March 31, 2014 quarterly financial statement shows that Red Rock is in violation of 36 O.S. § 1605 because it did not reflect the portion of investment exceeding 10% in one person or entity as non-admitted. This results in a reduction in admitted assets from \$57,089,163 to \$29,721,145, resulting in reduction in surplus from \$16,828,259 to negative (-\$10,539,758).

CONCLUSIONS OF LAW

1. An insurer shall not, except with the consent of the Insurance Commissioner, have at any one time any combination of checking account moneys, investments in or loans upon the security of the obligations, property, or securities of any one person, institution, corporation, or municipal corporation, aggregating an amount exceeding ten percent (10%) of the insurer's assets. 36 O.S. § 1605.

2. Red Rock Insurance Company is in violation of 36 O.S. § 1605 in that its assets exceed the 10% limit of investment in one person or entity and are deemed non-admitted.

3. The continued operation of the Company is hazardous to its policyholders, creditors, and the general public pursuant to the standards set out in OAC 365:25-7-42.

4. The Commissioner is authorized, pursuant to 36 O.S. § 1803, to place the Company under supervision to support the Company's effort to address its financial situation.

5. The Commissioner is authorized, pursuant to 36 O.S. § 1804, to appoint a supervisor and to require that the Company conduct its business in a certain manner as ordered, and refrain from engaging in certain acts in order to address the Company's financial situation.

6. The Commissioner is authorized, pursuant to 36 O.S. § 1803(A), to notify the insurer and furnish the Company a written list of requirements to abate the Commissioner's determination to place the Company under supervision.

ORDER

IT IS THEREFORE ORDERED by the Insurance Commissioner that the Company is hereby placed under supervision pursuant to the Supervision and Conservatorship of Insurers Act, 36 O.S. § 1801, et seq.

IT IS FURTHER ORDERED pursuant to 36 O.S. § 1804 that Nestor Romero is appointed Supervisor with all powers of a supervisor and examiner outlined in the Oklahoma Insurance Code, 36 O.S. § 101, et seq., 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 as the Insurance Commissioner may determine. The law firm of Riggs, Abney, Neal, Turpen, Orbison & Lewis is appointed as attorney for the Supervisor.

IT IS FURTHER ORDERED by the Commissioner, that the Company shall comply with the following abatement requirements:

- a. **The Company shall immediately amend the March 31, 2014 Quarterly Statement to report the non-admissible assets pursuant to 36 O.S. § 1605.**
- b. **The Company shall provide prompt access to all records requested by the Commissioner and/or his appointed Supervisor;**
- c. **The Company must contribute liquid assets acceptable to the Commissioner to reach a Risk Based Capital level of 300% or more;**

- d. **The Company shall continue the process of full withdrawal of its investment in the UST Core Plus Fund, and reinvest the capital in compliance with statutory eligible investments.**

IT IS FURTHER ORDERED if such insurer does not comply with such abatement requirements, such supervision may continue until such requirements are remedied unless the Commissioner determines other administrative or judicial proceedings should be initiated to place such insurer in conservation, rehabilitation or liquidation pursuant to Articles 18 and 19 of the Oklahoma Insurance Code, 36 O.S. § 1801 et seq.

IT IS FURTHER ORDERED by the Commissioner, that the Company may not perform the following acts without the express written consent from the Commissioner or Supervisor, including:

- a. **Disposing, conveying, or encumbering any of its assets or its business in force;**
- b. **Withdrawing any funds from any bank accounts;**
- c. **Lending any funds;**
- d. **Investing any funds;**
- e. **Transferring any property;**
- f. **Incurring any debt, obligation, or liability**
- g. **Merging or consolidating with any company; or**
- h. **Entering into any new reinsurance contract or treaty.**

IT IS FURTHER ORDERED that the Commissioner may require of the insurer, the following:

- a. **Periodic actuarial reviews;**
- b. **That the insurer limit or cease writing certain lines of insurance.**

IT IS FURTHER ORDERED by the Commissioner that the Company shall leave all of its records undisturbed in its offices until such time as an appropriate examination of such records can be completed by the Supervisor. This Notice and Order of Supervision shall be served on all banks at which the Company has an account(s) and any other financial institution where the Company keeps any type of money, fund or assets of any type.

IT IS FURTHER ORDERED by the Commissioner that the Company shall continue to service existing contracts and pay all valid claims.

WITNESS My Hand and Official Seal this 19th day of May, 2014.



JAMES A. MILLS
Chief of Staff
Oklahoma Insurance Department
Five Corporate Plaza
3625 NW 56th St., Suite 100
Oklahoma City, OK 73112-4511

CERTIFICATE OF MAILING

I, Julie Meaders, hereby certify that a true and correct copy of the above and foregoing Notice and Order of Supervision was mailed electronically and by regular mail on this 19th day of May, 2014, to:


J. Angela Ables
201 Robert S. Kerr Ave., Suite 600
Oklahoma City, Oklahoma 73102

ATTORNEY FOR RESPONDENT
RED ROCK INSURANCE COMPANY

and a copy was hand-delivered to:

Lisa G. Bays, Esq.
President and CEO
Red Rock Insurance Company
5104 N. Francis Avenue
Suite 101
Oklahoma City, OK 73118

and a copy was delivered to John McCarter, Chief Financial Analyst, Oklahoma Insurance Department Financial and Examination Division



Julie Meaders
Deputy General Counsel

BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OKLAHOMA

FILED

MAR 13 2014

INSURANCE COMMISSIONER
OKLAHOMA

STATE OF OKLAHOMA, ex rel. JOHN D.)
DOAK, Insurance Commissioner,)

Petitioner,)

v.)

Case No. 14-0242-SOL

RED ROCK INSURANCE COMPANY,)
a licensed insurer in the State of Oklahoma,)

Respondent.)

NOTICE OF HAZARDOUS FINANCIAL CONDITION AND ORDER

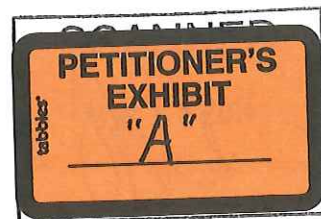
THE STATE OF OKLAHOMA, ex rel., John D. Doak, Insurance Commissioner ("Commissioner"), makes the following Findings of Fact, Conclusions of Law and Orders as follows:

JURISDICTION

1. John D. Doak is the duly elected Insurance Commissioner of the State of Oklahoma, and as such is charged with administering and enforcing the Oklahoma Insurance Code, Title 36 O.S. §§ 101 et seq.

2. The Company is a licensed Oklahoma domestic insurer, Certificate of Authority Number 1132, NAIC Company Code 18538, authorized to transact property and casualty insurance in the State of Oklahoma.

3. The Insurance Commissioner has jurisdiction over this matter pursuant to the Oklahoma Constitution Article 6 § 22; the Oklahoma Insurance Code, 36 O.S. § 101, et seq., and



specifically pursuant to: Article 18 Supervisors and Conservators of Insurances, 36 O.S. §§ 1801 et seq.

FINDINGS OF FACT

1. Certain standards may be considered by the Commissioner to determine whether the continued operation of an insurer transacting an insurance business in this state might be deemed a hazardous financial condition; one of which is whether the insurer's operating loss for the last twelve month period, excluding capital gains, is greater than twenty percent (20%) of the insurer's remaining surplus. OAC 365:25-7-42 (6).

2. At December 31, 2013, the Company had \$21,507,187 surplus as regards policyholders and was in hazardous financial condition due to a net operating loss of \$8,320,485, an amount which exceeded twenty percent (20%) of the Company's remaining surplus as regards policyholders.

3. The Company acknowledges it is in hazardous financial condition for the reasons set out in these Findings of Fact and consents to the issuance of this Order.

CONCLUSIONS OF LAW

1. The continued operation of the Company is hazardous to its policyholders, pursuant to the standard set out in OAC 365:25-7-42 (6).

2. Pursuant to 36 O.S. § 1803 (A), the Insurance Commissioner shall notify the Company of the Commissioner's determination of hazardous financial condition and furnish the Company with a written list of requirements to abate the Commissioner's finding. Failure to comply with these requirements within a reasonable time may result in the appointment by the Commissioner of a supervisor or any other appropriate administrative or judicial remedy.

3. Because the Company is in hazardous financial condition, the Commissioner is authorized to require the Company to take any action specified in OAC: 25-7-43(b).

ORDER

IT IS THEREFORE ORDERED, pursuant to 36 O.S. § 1803 (A) and OAC 365:25-7-42 (6), that the Company is hereby: (1) placed on notice of its hazardous financial condition; and (2) furnished with a written list of the requirements, as ordered below, necessary to abate the Commissioner's determination of hazardous financial condition.

IT IS FURTHER ORDERED by the Commissioner, pursuant to 36 O.S. § 1803 (A) and OAC 25-7-43 (b) (6), (7) and (11), that the Company may discharge this Order by compliance with the following requirements:

- a. **The Company must file monthly financial reports in a form acceptable to the Commissioner until such time that the Commissioner determines the Company is no longer in hazardous financial condition;**
- b. **The Company must immediately begin the process of withdrawing its capital investment in the UST Core Plus Fund, LLC according to the terms of its agreement with UST Plus Management, LLC and reinvest the capital in compliance with statutory eligible investments that are suitable to the Commissioner;**
- c. **The Company must provide a business plan acceptable to the Commissioner.**

WITNESS my Hand and Official Seal this 12th day of March, 2014.





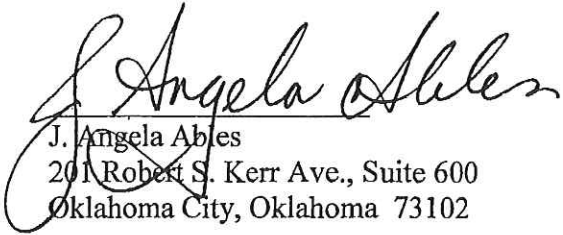
PAUL WILKENING
CHIEF DEPUTY INSURANCE COMMISSIONER
STATE OF OKLAHOMA

APPROVED:



Julie Meaders
Five Corporate Plaza
3625 NW 56th Street, Suite 100
Oklahoma City, Oklahoma 73112
(405) 521-2746

ATTORNEY FOR PETITIONER
OKLAHOMA INSURANCE COMMISSIONER



J. Angela Ables
201 Robert S. Kerr Ave., Suite 600
Oklahoma City, Oklahoma 73102

ATTORNEY FOR RESPONDENT
RED ROCK INSURANCE COMPANY

CERTIFICATE OF MAILING


I, Julie Meaders, hereby certify that a true and correct copy of the above and foregoing Notice of Hazardous Financial Condition and Order was mailed postage prepaid with return receipt requested on this 13th day of March, 2014 to:

J. Angela Ables
Kerr, Irvine, Rhodes & Ables, P.C.
201 Robert S. Kerr Ave., Suite 600
Oklahoma City, Oklahoma 73102
Attorneys for Respondent
Red Rock Insurance Company

Certified Mail No.
7001 0320 0004 4248 5228

and that a copy was delivered to:

Financial and Examination Division
John McCarter, Chief Financial Analyst



Julie Meaders
Deputy General Counsel



OKLAHOMA INSURANCE DEPARTMENT
STATE OF OKLAHOMA

April 18, 2014

Mr. Michael Beasley
Red Rock Insurance Company
5104 N. Francis Avenue, Suite 101
Oklahoma City, OK 73118

RE: Request for Title 36 § 1605 exemption

Dear Mr. Beasley:

On March 4, 2014, the Red Rock Insurance Company requested an exemption from compliance with Title 36 § 1605. This request has been denied. Therefore, the portions of any investment that exceed 10% of the Company's assets are to be non-admitted. We expect this to be reflected in the Company's March 31, 2014 Quarterly Statement.

Please be advised that the investment amount is to be subtracted from total assets, before calculating the 10% limitation.

If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Diane Carter".

Diane Carter, CFE, FLMI
Financial Analyst

cc: John McCarter, Chief Financial Analyst
Lisa Bays
Angela Ables

