



Adverse findings, reported in annual, quarterly, and monthly financial statements, indicate that the company has inadequate capital and surplus to continue operations in 2016. Total net loss as of June 30, 2015 was \$5,768,748, with an expected annualized amount of \$11,537,496,<sup>1</sup> further depleting its surplus. As such, HRIC is in a hazardous financial condition, which is a basis by itself for an order of immediate supervision, pursuant to ORS 734.043(2)(a) and OAR 836-013-0110(1).

*b. Excessive Operating Losses*

The operating net loss for the 12 month period ending June 30, 2015, is \$14,391,564.<sup>2</sup> HRIC's capital and surplus in excess of the statutory minimum is \$16,539,569.<sup>3</sup> The operating loss is greater than 50 percent of HRIC's excess capital and surplus (\$16,539,569), making HRIC's continued operation hazardous to policyholders and others. OAR 836-013-0110(5). Based on the present loss amounts, in order not to be operating in a hazardous condition, HRIC would need to have and maintain capital and surplus greater than \$31,283,128.<sup>4</sup> Because HRIC is in a hazardous financial condition, the Director may enter into immediate supervision. ORS 731.385(1)(d); 734.043(2)(a).

**Order Requiring Abatement of Conditions**

Pursuant to ORS 731.385, 734.043, and 734.047(1) the Director hereby notifies HRIC of and orders HRIC take the following actions to correct, eliminate, or remedy the conditions set forth above:

HRIC will suspend the business being accepted or renewed, *see also* ORS 731.385(1)(b), by discontinuing policies (in accordance with contract terms).

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<sup>1</sup> \$5,768,748 \* 2 = \$11,537,496

<sup>2</sup> (\$12,920,763-4,297,947) = \$8,622,816; \$8,622,816 + 5,768,748 = \$14,391,564

<sup>3</sup> \$19,039,569 – 2,500,000 = \$16,539,569.

<sup>4</sup> This amount is calculated as follows: \$14,391,564 (operating loss) x 2 + \$2,500,000 (minimum statutory capital) = \$31,283,128.

HRIC will budget its operations to eliminate unnecessary or excessive expenses.

### **Order Appointing Supervisor**

Pursuant to ORS 734.043, the Director hereby orders that commencing on Wednesday, October 21, 2015, for a period of 60 calendar days (subject to extension under ORS 743.047(2)), HRIC is under the supervision of the Director, that the Director is applying ORS 734.043 to 734.055 and OAR Chapter 836 Division 13 in conducting said supervision, and that the Director appoints Laura Cali, Insurance Commissioner, as the special deputy director to act for the Director as supervisor of HRIC with authority to employ such counsel, clerks, and assistants as she deems necessary. The Insurance Commissioner may further, in her sole discretion, delegate this appointment, or any portion thereof, in writing to any person. HRIC must be provided with a copy of any such delegation. The compensation of the special deputies, counsel, clerks or assistants and all expenses of taking possession of HRIC and of conducting the supervision proceedings shall be paid out of the funds or assets of HRIC. ORS 734.230.

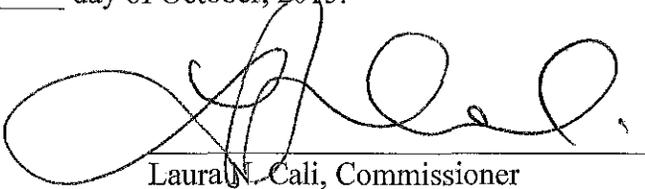
## **Order Prohibiting Actions by HRIC**

Pursuant to ORS 734.043(5), the Director hereby orders that HRIC, its directors, officers, agents and employees, and all others affiliated with HRIC, are prohibited from taking any of the following actions without prior written approval of the supervisor:

1. Disposing of, conveying or encumbering any of HRIC's assets or its business in force;
2. Withdrawing from any of HRIC's bank accounts;
3. Lending any of HRIC's funds;
4. Investing any of HRIC's funds;
5. Transferring any of HRIC's property;
6. Incurring any debt, obligation or liability on behalf of HRIC;
7. Merging or consolidating HRIC with any other insurer or person;
8. Entering into any new reinsurance contract or treaty on behalf of HRIC;
9. Approving any new premium or renewing any policies of HRIC;
10. Terminating, surrendering, forfeiting, converting or lapsing any insurance policy, certificate or contract, except for nonpayment of premium due;
11. Releasing, paying or refunding premium deposits, unearned premiums, or other reserves on any insurance policy, certificate or contract;
12. Making any material change in management;
13. Increasing salaries and benefits of officers or directors;
14. Making or increasing preferential payment of bonuses, dividends or other payments determined by the supervisor to be preferential; and/or
15. Any other action affecting the business or condition of HRIC.

The Director orders that HRIC, its directors, officers, agents and employees shall not engage in any of the above acts without prior written approval of the supervisor. If permitted by the supervisor, the following classes of disbursements may be made without prior individual approval: the payment of claims obligations arising from HRIC's insurance policies, related claim adjusting expenses, payroll and related benefits (but not including severance payments or other payments described above), taxes and other obligations to governmental entities (but not including payments on loan agreements).

DATED this 21 day of October, 2015.



Laura N. Cali, Commissioner  
Insurance Division

#### **Notice of Right to Hearing Before the Director**

Pursuant to ORS 731.385(3) and 734.043(7), HRIC may during the period of supervision file a written request for a hearing to review this order with the Insurance Division. Such request will not stay the effect of the order. HRIC must specify in its request the manner in which the action complained of would not result in improving the condition of HRIC. If requested, a hearing will be held within 30 days after the filing of the request before the director. The director will notify HRIC of the procedures, time, and place of the hearing. The director shall complete the review within 30 days after the record for the hearing is closed, and shall discontinue the action taken under this order if the director determines that none of the conditions giving rise to the action exists. ORS 731.385(3) and 734.043(7).