

in a hazardous financial condition, the Director may enter into immediate supervision. ORS 731.385(1)(d); 734.043(2)(a).

b. Risk Adjustment Accruals

OHC recorded Risk Adjustment receivables in the amount of \$4,167,574 due from CMS, based upon plans described in 45 CFR 146.145(c) and 45 CFR 148.220 in the December 31, 2015 annual statement. On June 30, 2016, CMS released the “Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2015 Benefit Year”, which included the actually determined amounts due to or payable from each operating Health Insurer. The report indicated that OHC will actually be required to pay CMS an amount of \$913,948⁴ for the 2015 Risk Adjustment Benefit year. The changes from the amount the company anticipated to receive in the December 31, 2015 annual statement was \$5,081,522⁵. This change will reduce the March 31, 2016 Capital & Surplus by an equal amount, to an estimated \$15,729,869. The impact of this receivable further reduces the financial position of the company, as described in section *a*, and the company remains in a hazardous operating condition.

Order Requiring Abatement of Conditions

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

OHC will suspend the business being accepted or renewed, *see also* ORS 731.385(1)(b), and will terminate policies as directed by DFR, effective on the dates specified by DFR.

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

⁴ $\$(1,315,272.66) + \$401,324.32 = \$(913,948.34)$

⁵ $\$913,948 + \$4,167,574 = 5,081,522$

Order Appointing Supervisor

Pursuant to ORS 734.043, the Director hereby orders that commencing on Friday, July 8, 2016, for a period of 60 calendar days (subject to extension under ORS 743.047(2)), OHC is under the supervision of the Director. The Director is applying ORS 734.043 to 734.055 and OAR Chapter 836 Division 13 in conducting said supervision. The Director appoints Laura Cali, Insurance Commissioner, and Risk & Regulatory Consulting, LLC, as the special deputy directors to act for the Director as supervisor of OHC with authority to employ such experts, clerks, and assistants as either deems necessary. The Insurance Commissioner may further, in her sole discretion, delegate this appointment, or any portion thereof, in writing to any person or may terminate the engagement of Risk & Regulatory Consulting, LLC. OHC must be provided with a copy of any such delegation or termination.

Within three business days of the date of this order, OHC shall submit to the Director for inspection all current contracts between OHC and its creditors, vendors and reinsurers. Within one business day of the date of this order, OHC will submit to the Director a list of OHC's main contact persons at each of its creditors, vendors and reinsurers.

Order Prohibiting Actions by OHC

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

1. Disposing of, conveying or encumbering any of OHC's assets or its business in force;
2. Withdrawing from any of OHC's bank accounts;
3. Lending any of OHC's funds;
4. Investing any of OHC's funds;
5. Transferring any of OHC's property;
6. Incurring any debt, obligation or liability on behalf of OHC;
7. Merging or consolidating OHC with any other insurer or person;
8. Entering into any new reinsurance contract or treaty on behalf of OHC;
9. Approving any new premium or renewing any policies of OHC;
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 OHC.

The Director orders that OHC, 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 OHC's insurance policies, related

claim adjusting expenses, payroll and related benefits (but not including compensation of officers, severance payments, or other payments described above), taxes and other obligations to governmental entities (but not including payments on loan agreements).

OHC shall not engage in activities beyond those that are routine in the day-to-day conduct of its business in run-off and are otherwise consistent with its run-off plan to be filed with, and found acceptable by, the Director, without the prior approval of the Director or her designee. The routine day-to-day conduct of OHC's business in run-off includes but is not limited to:

- (a) paying and settling claims and insurance obligations unless otherwise prohibited by this Order, subject to the direction and approval of the Director;
- (b) engaging, directing, discharging, and compensating counsel (including reasonable costs incurred) with respect to such claims or other matters;
- (c) paying settlements or judgments with respect to such claims;
- (d) investing the assets of OHC and liquidating such assets in an appropriate manner as required to pay claims, operating expenses, settlements, and other charges in the ordinary course of business and subject to the provisions of this Order;
- (e) submitting information to reinsurers with respect to OHC's reinsured claims and adjustment expenses; and
- (f) taking all actions necessary and appropriate to recover all sums due to OHC from reinsurers and others.

The Director shall have the final authority to approve or disapprove the initiation, settlement, or withdrawal by OHC of any action, dispute, arbitration, litigation, or proceeding of any kind involving OHC that is not in the ordinary course of business. To propose any such conduct, OHC shall prepare a written report to the Director with a recommendation for approval or disapproval with the reasons therefor.

Without the prior written approval of the Director, OHC shall not (i) add any individual to the board of directors of OHC or (ii) move the principal offices or records of OHC to a location outside of Oregon.

OHC shall file with the Department a monthly financial statement consisting of a balance sheet and income statement, along with a statement of cash flow, a claims ageing report, a cash report, quarterly RBC projections, and membership enrollment report, on the 25th day of each month as of the end of the prior month.

At least annually, OHC shall submit an actuarial analysis prepared by a qualified actuary.

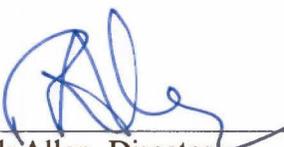
OHC shall submit to the Department any additional reports that the Department reasonably determines as necessary to ascertain the financial condition of OHC.

OHC shall submit any and all reports or items required by this Order, and all requests for the Director's action or approval to a special deputy supervisor.

OHC shall continue to comply with all obligations under law, including applicable financial, regulatory, and tax reporting requirements.

Nothing in this order shall preclude the Director from taking further action as the Director in his sole discretion deems appropriate and in the best interest of OHC's policyholders and the public, including commencement of further legal proceedings if and as necessary under ORS Chapter 734.

DATED this 8th day of July, 2016.



Patrick Allen, Director
Department of Consumer and Business Services

Notice of Right to Hearing Before the Director

Pursuant to ORS 731.385(3) and 734.043(7), OHC may during the period of supervision file a written request for a hearing to review this order with the Division of Financial Regulation. Such request will not stay the effect of the order. OHC must specify in its request the manner in

which the action complained of would not result in improving the condition of OHC. If requested, a hearing will be held within 30 days after the filing of the request before the director. The director will notify OHC 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).