STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

In the Matter of the Certificate of Authority of Preferred Health Plan, Inc., Klamath Falls, Oregon	)))	SUSPENSION ORDER Case No. INS 09-04-003

INTRODUCTION

The Director of the Department of Consumer and Business Services (Director) hereby issues a Suspension Order to Preferred Health Plan, Inc. (PHP) under Oregon Revised Statutes (ORS) 731.256 and 731.414 because the Director has reason to believe the following:

FINDINGS OF FACT

Preferred Health Plan, Inc. (PHP) is a health care service contractor organized as a for-profit stock corporation and authorized to transact business under the provisions of ORS chapter 750.

PHP is a domestic insurer and, as such, is subject to the provisions of certain portions of the Oregon Insurance Code pursuant to ORS 750.055.

ORS 750.045(1) requires a health care service contractor to maintain a minimum amount of capital or surplus, or any combination thereof (excess of admitted assets over liabilities), of not less than $2,500,000.

On March 2, 2009, PHP submitted to the Director a financial statement as of December 31, 2008, reflecting capital and surplus totaling $2,349,225.

PHP did not maintain at least $2,500,000 million in capital or surplus, or any combination thereof.

Upon receipt of the financial statement filing that reflected capital and surplus below $2,500,000, the Director issued an Order to Cure Impairment dated March 5, 2009 (Case No. 2009-03-001), which ordered that on or before May 4, 2009, PHP shall cure its impairment and increase capital or surplus, or

any combination thereof and maintain its capital or surplus, or any combination thereof, of no less than $2,500,000.

On March 6, 2009, PHP submitted a financial statement as of January 31, 2009, that reflected capital and surplus totaling $2,206,612.

On March 17, 2009, PHP submitted a financial statement as of February 28, 2009, that reflected capital and surplus totaling $1,677,733.

On April 13, 2009, PHP submitted a financial statement as of March 31, 2009, that reflected capital and surplus totaling $1,557,087.

On or before May 4, 2009, PHP submitted a financial statement that did not reflect capital or surplus, or any combination thereof, of at least $2,500,000.

ULTIMATE FINDINGS OF FACT

PHP has failed to cure an impairment of required capitalization within the time allowed by the director under ORS 732.230.

CONCLUSIONS OF LAW

Pursuant to ORS 731.414(1)(a), PHP is subject to an order of suspension of its certificate of authority for failing to cure an impairment of required capitalization within the time allowed by the director under ORS 732.230.

ORDER

Pursuant to ORS 731.414, the Oregon certificate of authority issued to PHP is suspended. The period of suspension shall be continuous from the date of this order until rescinded by further written order of the Director, pursuant to ORS 731.426(1). Pursuant to ORS 731.426(2), during the period of suspension, PHP shall not solicit or issue new policies of insurance in this state or assume any Oregon risk. During the period of suspension, PHP shall also not issue beyond May 15, 2009, renewal policies in this state pursuant to ORS 743.737(5)(h), 743.754(6)(h), 743.760(9)(d), and 743.766(5)(f). PHP shall file its monthly financial statements until notified otherwise. PHP shall pay any fees and taxes required to be paid. PHP shall service any existing policies of insurance issued to persons residing in Oregon in

accordance with Oregon Law.

Pursuant to ORS 731.422(2), the authority of all producers to represent PHP within the state of Oregon is also suspended. The period of suspension shall be for the same period that the certificate of authority issued to PHP is suspended. During the period of suspension, a producer may represent PHP only to the extent that PHP may service any existing policies of insurance issued to persons residing in Oregon and that PHP has authorized the producer to represent it.

PHP is hereby ordered to provide a copy of this suspension order to all appointed producers within 7 days of the date of this order. The company shall provide to the Director within 14 days from the date of this order an affidavit certifying that notice to appointed producers has been provided.

Issued the 5th day of May, 2009.

Cory Streisinger
Director
Insurance Commissioner
Department of Consumer and Business Services

RIGHT TO A HEARING

The party has the right to a hearing pursuant to ORS 183.415. A party may request a hearing by sending a written request to the Insurance Division. A party may send the request to the Insurance Division by delivering it to the Labor and Industries Building, 350 Winter Street NE, Salem, Oregon; or mailing it to PO Box 14480, Salem, OR 97309-0405, or faxing it to 503-378-4351; or e-mailing it to mitchel.d.curzon@state.or.us. The Insurance Division must *receive* the request within 21 days from the date this notice was *sent* to the party.

If the Insurance Division receives from or on behalf of a party a written request for a hearing by the due date described above, then the Insurance Division will refer the request to the Office of Administrative Hearings (OAH). OAH will schedule the hearing and notify the party of the date and location of the hearing and other related information. OAH will conduct the hearing in accordance with the Oregon Administrative Procedures Act, ORS Chapter 183; and related rules, Oregon Administrative Rules (OAR) 137-03-0502 *et seq*. A party that is a corporation, partnership, limited liability company, unincorporated association, trust, or government agency must be represented at a hearing by an attorney licensed in Oregon except as otherwise provided by law. Subsequently, OAH will issue a proposed order, and the director will issue a final order.

If the Insurance Division does not receive from or on behalf of a party a written request for a hearing by the due date described above; or a party that has timely requested a hearing withdraws the request, notifies the Insurance Division or OAH that the party will not appear at a hearing, or does not appear at a scheduled hearing, then the director will issue a final order by default taking the action proposed therein. If the director issues a final order by default, then the record of this proceeding to date, including the designated portion of the Insurance Division's file on the party, automatically become part of the contested case record for the purpose of proving a *prima facie* case.