

**Office the of Commissioner of Securities and
Insurance, Montana State Auditor**

840 Helena Avenue
Helena, MT 59601
T: (406) 444-2040
F: (406) 444-3497

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
MONTANA STATE AUDITOR**

IN THE MATTER OF:)	CASE NO. INS-2013-232
)	
Preferred Contractors Insurance)	
Company, Montana Certificate of)	ORDER
Authority # 4991.)	
)	
)	

Staff of the Office of the Commissioner of Securities and Insurance, Montana State Auditor (CSI), has reviewed Preferred Contractors Insurance Company (PCIC). Pursuant to Mont. Code Ann. §§ 33-11-121, 33-28-108, and Admin. R. Mont. 6.6.3401 the Commissioner of Securities and Insurance, Montana State Auditor (Commissioner) has considered the following:

1. The State Auditor is the Commissioner of Securities and Insurance (Commissioner). § 2-15-1903.
2. The CSI is under the control and supervision of the Commissioner. §§ 2-15-1902 and 33-1-301.
3. The Commissioner shall administer the CSI to protect insurance consumers, pursuant to § 33-1-311(3).

4. The Commissioner and the CSI have jurisdiction over this matter. § 33-1-311.

5. The provisions of the Code relating to supervision, rehabilitation, and liquidation are applicable to captive insurance companies. § 33-28-207.

6. PCIC is a Montana domiciled risk retention group and captive insurance company, Certificate of Authority # 4991.

7. The CSI conducted an examination of PCIC and issued a report (Report) for the time period of January 1, 2009, to December 31, 2012.

8. The Report revealed a material adverse finding of PCIC's financial condition. Due to this finding, the Commissioner considers PCIC to be in hazardous financial condition.

9. PCIC consents to this Order pursuant to § 33-2-1321 and has waived its right to a hearing pursuant to § 33-2-1321(6).

ORDER

THEREFORE, IT IS HEREBY ORDERED that PCIC may not do any of the following without the prior approval of the CSI:

- a. Expand into additional states;
- b. Enter into a 50/50 quota share reinsurance treaty with Pacific Re, Inc. on the first \$250,000 of losses;

IT IS FURTHER ORDERED that PCIC shall provide to the CSI, care of the Chief Financial Examiner, Office of the Commissioner of Securities and Insurance, Montana State Auditor, 840 Helena Avenue, Helena, MT 59601, within 15 business days of the execution of this Order, unless otherwise specified, all of the following:

- a. Monthly financials that include current loss development by the 20th of each month for the month preceding, beginning with the January 2014, statement;
- b. Pro-forma financial data for 2014, 2015, and 2016;
- c. Submit to a midyear actuarial review in 2014 and at future years so long as the Commissioner deems necessary, to be received by August 15th annually;
- d. Such other information as the CSI may request.

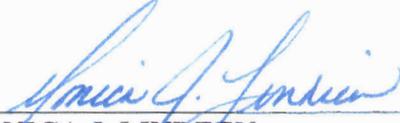
IT IS FURTHER ORDERED that PCIC will take the following affirmative steps:

- a. No later than April 1, 2014, submit an independent actuarial review conducted by a CSI approved actuary as of December 31, 2013;
- b. Submit an independent rate study by a CSI approved actuary prior to March 1, 2015, using data through December 31, 2014;
- c. Cap net premium written at three time policyholder surplus.

IT IS FURTHER ORDERED that a failure by PCIC to comply with the directives of this Order will result in the CSI filing a formal delinquency action in district court pursuant to § 33-2-1322, and placing PCIC in supervision, suspension, rehabilitation, or liquidating PCIC pursuant to §§ 33-2-1341 and 33-2-1342.

This Order shall remain in effect for 60 days from the date of this Order. If PCIC fails to comply with the requirements of the CSI within the 60 days, the Order may be extended or proceedings may be instituted pursuant to §§ 33-2-1331 and 33-2-1341 to have a rehabilitator or liquidator appointed. PCIC may withdraw its consent and request a hearing to review this Order, but the request for a hearing will not stay the effect of this Order. § 33-2-1321(6). PCIC may also waive such a hearing and apply for immediate judicial relief.

DATED this 31st day of January, 2014.



MONICA J. LINDEEN
Commissioner of Securities and Insurance,
Montana State Auditor

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 3rd day of February, 2014, a true and correct copy of the foregoing was served upon the following by U.S. mail, certified, postage prepaid:

PCIC, Inc.
27 North 27th Street, Suite 1900
Billings, MT 59101

Via Hand-delivery:

Brett O'Neil

A handwritten signature in blue ink, reading "Lisa Monice", is written over a horizontal line. The signature is cursive and includes a large initial "L".