

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

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| IN THE MATTER OF: |) | CASE NO. INS-2015-107 |
| |) | |
| NATIONAL CONTRACTORS |) | |
| INSURANCE COMPANY, INC, a Risk |) | ORDER OF SUPERVISION |
| Retention Group, Montana certificate of |) | |
| authority # 5358 |) | |
| |) | |

Pursuant to Mont. Code Ann. §§ 33-2-1321, 33-11-121, and 33-28-108, the Office of the Montana State Auditor, Commissioner of Securities and Insurance (CSI), takes supervision of National Contractors Insurance Company, Inc., a Risk Retention Group (NCIC RRG), for the following reasons:

1. The State Auditor is the Commissioner of Securities and Insurance (Commissioner) pursuant to § 2-15-1903.
2. The CSI is under the control and supervision of the Commissioner pursuant to §§ 2-15-1902 and 33-1-301.
3. The Commissioner shall administer the CSI to protect insurance consumers. § 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. §§ 33-11-104 and 33-28-207.

6. NCIC RRG is a Montana domiciled captive risk retention group, Certificate of Authority # 5358.

7. On April 20, 2015, the CSI received the 2014 annual financial statement of NCIC. The annual statement indicated that NCIC RRG had incurred a substantial net loss in 2014, causing a significant decline in surplus.

8. The CSI's analysis of the 2014 annual statement resulted in a material adverse finding with respect to NCIC RRG's financial condition. Due to this finding, the Commissioner considers NCIC to be in hazardous financial condition.

9. NCIC RRG consents to supervision 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 based on the foregoing, NCIC RRG is placed under **SUPERVISION** of the CSI pursuant to § 33-2-1321.

IT IS FURTHER ORDERED that NCIC RRG may not do any of the following without the prior written approval of the CSI:

- a. Dispose of, convey, or encumber any of its assets or its business in force, including, but not limited to, the following:
 - i. the release of any funds held in trust, including collateral for reinsurance receivable; and
 - ii. the execution of commutations of existing reinsurance agreements;
- b. Withdraw from any of its bank accounts;

- c. Lend any of its funds;
- d. Invest any of its funds;
- e. Incur any debt, obligation, or liability;
- f. Merge or consolidate with another company;
- g. Enter into any new reinsurance contract or treaty;
- h. Enter into any management agreements; and
- i. Discount its reserves.

IT IS FURTHER ORDERED that Chief Financial Examiner Steve Matthews is appointed Supervisor in this matter pursuant to § 33-2-1321(3).

IT IS FURTHER ORDERED that NCIC RRG shall provide the Supervisor all of the following within ten business days of the execution of this Order:

- a. An itemization of all expenses, both periodic and monthly recurring, anticipated during the period of supervision, and assuming a supervision period of indefinite length. The itemization must include a detailed justification for each expense. The itemization for monthly recurring expenses must include the cost to prepare and submit a monthly streamlined financial report to the CSI;
- b. An itemization of all current expenses that can be eliminated during the period of supervision; and
- c. A plan to orderly run off existing claims in a cost-effective manner.

IT IS FURTHER ORDERED that a failure by NCIC RRG 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 liquidating NCIC RRG pursuant to §§ 33-2-1341 and 33-2-1342.

This Order shall remain in effect for 60 days from the date of this Order, but nothing in this Order prevents the CSI from instituting proceedings prior to that date pursuant to §§ 33-2-1331 and 33-2-1341 to have a rehabilitator or liquidator appointed.

DATED this 23rd day of April, 2015.

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

By:



JESSE LASLOVICH
Deputy State Auditor


CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 23rd day of April, 2015, a true and correct copy of the foregoing was served upon the following by U.S. mail, certified, postage prepaid:

National Contractors Insurance Company, Inc.
191 Jewel Basin Court, Suite 4A
Bigfork, Montana 59911

Via Hand-delivery:

CSI
Nick Mazanec



A handwritten signature in blue ink, appearing to read "Lisa Marshall", is written over a horizontal line.