

**STATE OF MARYLAND
MARYLAND INSURANCE ADMINISTRATION**

MARYLAND INSURANCE *
COMMISSIONER *
200 ST. PAUL PLACE, SUITE 2700 *
BALTIMORE, MARYLAND 21202 *

V.

PARAMOUNT INSURANCE *
COMPANY *
NAIC #16128 *
7101 MILFORD INDUSTRIAL ROAD *
SUITE A *
PIKESVILLE, MARYLAND 21208 *

CASE NO: MIA - 2018-09-003

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ORDER

This Order is pursuant to §§ 2-204, 9-101, 9-102, and 9-103 of the Insurance Article.

1. Paramount Insurance Company (“Paramount”) is a stock property and casualty insurance company licensed to conduct business in the state of Maryland and the District of Columbia. Paramount was incorporated under the laws of Maryland on October 10, 1938. Paramount was issued a Certificate of Authority by the State of Maryland on December 19, 1938. All of the outstanding capital stock of Paramount is owned by Motts Holdings, Inc.
2. Motts Holdings, Inc. is a Connecticut C-Corporation.
3. Paramount writes private passenger auto liability and auto physical damage lines of business.
4. In order to retain its certificate of authority, Paramount is required by § 4-104 of the Insurance Article to maintain capital stock totaling \$750,000. In addition, under § 4-105 of the Insurance Article, Paramount is required to maintain surplus funds totaling \$675,000. Therefore, under the provisions of §§ 4-104 and 4-105, Paramount is required to maintain capital and surplus funds totaling at least \$1,425,000.

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5. Between June 26, 2015, and November 28, 2017, Motts Holdings, Inc. made capital infusions of \$2,385,000 into Paramount. On June 28, 2018, Motts Holdings, Inc. advised the Maryland Insurance Administration (the "Administration") that it did not plan to infuse any additional funds into Paramount.
6. Paramount reported negative cash flow from operations of \$8,368 for the three months ended March 31, 2018, and \$976,464 for the six months ended June 30, 2018, in its Quarterly Financial Statements.
7. On July 2, 2018, Paramount filed its monthly financial statements for the period ended May 31, 2018, with the Administration. In those financial statements, Paramount reported that its surplus funds totaled only \$1,247,270. Therefore, Paramount's surplus funds were impaired by the amount of \$177,730 as of May 31, 2018.
8. On July 12, 2018, the Administration issued an order, MIA-2018-07-11, pursuant to §3-109 of the Insurance Article requiring Paramount to cure the deficiency of its surplus funds within 60 days from the date of the Order. The Order did not preclude the Administration from taking further action as deemed necessary.
9. On August 24, 2018, Paramount filed its monthly financial statements for the period ended July 31, 2018, with the Administration. In those financial statements, Paramount reported that its surplus funds totaled only \$1,053,958. Therefore, Paramount's surplus funds were impaired by the amount of \$371,042 as of July 31, 2018.
10. Additionally, Paramount is subject to the risk based capital ("RBC") requirements of Title 4, Subtitle 3 of the Insurance Article, which requires that insurers maintain surplus in excess of minimum RBC levels. Paramount reported surplus below its company action level RBC requirement as of December 31, 2016. Accordingly, Paramount submitted a 2016 RBC corrective action plan to the Administration to address the 2016 RBC failure. The 2016 corrective action plan included projections for year-end 2017. As of December 31, 2017, Paramount's 2017 actual results did not meet the projected amounts in its 2016 RBC corrective action plan. As a result, Paramount reported surplus below its company action level RBC requirements as of December 31, 2017. Paramount provided a 2017 corrective action plan to address the 2017 RBC failure. The 2017 corrective action plan included projections that indicated that the net loss for the year-to-date period through July 31, 2018, would be \$428,246. The actual net loss for the year-to-date period through July 31, 2018, totaled \$858,195. Accordingly, it appears that Paramount will not meet its projections provided in the 2017 RBC Plan.
11. Paramount's surplus decreased from \$2.6 million as of December 31, 2013 to \$1.8 million as of December 31, 2017, despite the fact that Motts Holdings, Inc. made capital infusions of \$250,000 in 2015, \$1,385,000 in 2016, and \$750,000 in 2017. Additionally, in each of the past four years, Paramount failed the National Association of Insurance Commissioners' (NAIC's) Insurance Regulatory Information System (IRIS) financial

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ratios, "Change in Policyholders Surplus Ratio" and "Two-Year Overall Operating Ratio."

12. On April 20, 2018, the Commissioner of the District of Columbia Department of Insurance, Securities and Banking issued a Corrective Order ordering Paramount to cease writing and accepting new business in the District of Columbia and to limit its volume of business in the District of Columbia to renewed policies.
13. Beginning in 2018, Paramount conducted a search for potential investors for its business. As of the date of this Order, Paramount has been unsuccessful in finding potential investors or in raising capital from other sources to support its ongoing operations.
14. Section 9-102 of the Insurance Article authorizes the Commissioner to determine whether the continued operation of an authorized insurer engaging in the business of insurance in the State of Maryland may be hazardous to policyholders, to creditors of the authorized insurer, or to the general public. Where the Commissioner has found that the continued operations of the insurer present such a hazard, the Commissioner is authorized by §9-103 of the Insurance Article to enter an order exerting supervisory control over aspects of the insurer's operations.
15. Based on consideration of the factors set forth in § 9-102 of the Insurance Article, the Commissioner has determined that the continued operation of Paramount without regulatory intervention is hazardous to its policyholders, its creditors, and the general public. This determination is based on the rapid deterioration in Paramount's financial condition as reported in its July monthly financial report, Paramount's failure to meet RBC and certain NAIC financial ratio requirements, Paramount's increasing negative cash flow from operations, and the Administration's determination that due to its poor financial condition, Paramount will continue to experience cash flow problems in the foreseeable future.
16. Section 9-103 of the Insurance Article specifies certain actions that the Commissioner may order if he determines that the continued operation of an authorized insurer may be hazardous to policyholders or creditors of the authorized insurer or the general public. Therefore, in order to protect the public, the Commissioner is immediately instituting the following controls on the company.

NOW, THEREFORE, IT IS HEREBY ORDERED this 10th day of September, 2018, that:

- A. Effective immediately, Paramount shall not make any disbursement, payment, or transfer of assets, without the prior approval of the Commissioner.
- B. Effective 12:01 AM, September 11, 2018, Paramount shall cease writing new or renewal business.

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- C. Paramount shall cease the renewal of existing contracts of insurance in the State of Maryland by issuing notices of non-renewal that meet the procedural and content requirements of Title 27, Subtitle 6 of the Insurance Article. Paramount shall prepare and submit a notice for approval to the Maryland Insurance Commissioner within 5 calendar days of the date of this Order.

- D. Paramount shall cease the renewal of existing contracts of insurance in the District of Columbia by issuing notices of non-renewal that meet the procedural and content required of the laws of the District of Columbia.

ALFRED W. REDMER, JR.

signature on original

By NANCY GRODIN
Deputy Insurance Commissioner

RIGHT TO REQUEST A HEARING

Pursuant to § 2-210 of the Insurance Article and COMAR 31.02.01.03, a person aggrieved by this order may request a hearing on this Order. This request must be in writing and be received by the Commissioner within thirty (30) days of the date of the letter accompanying this Order.

Pursuant to § 2-212 of the Insurance Article, the Order shall be stayed pending a hearing only if a demand for hearing is received by the Commissioner within ten (10) days after the Order is issued.

The request for hearing must be made in writing. This request must be addressed to the Maryland Insurance Administration, 200 St. Paul Place, Suite 2700, Baltimore, MD 21202, ATTN: Hearing and Appeals Coordinator. Failure to request a hearing timely or to appear at a scheduled hearing will result in a waiver of your rights to contest this Order and the Order shall be made final on its effective date.