

**BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF KANSAS**

In the Matter of the Proposed Adoption )  
of the Financial Condition Examination )  
Report as of December 31, 2003 Of )       Docket No. 3361-ER  
**Preferred Health Systems Insurance )**  
**Company, Inc. )**

**ORDER**

NOW COMES on for formal disposition the matter of the proposed adoption of the financial condition examination report as of December 31, 2003 of Preferred Health Systems Insurance Company, Inc., a Kansas corporation. This matter is brought before the Commissioner of Insurance for adoption, rejection, or modification pursuant to the provisions of Kansas Statutes Annotated (K.S.A.) 40-222.

I, Sandy Praeger, the duly elected, qualified, and acting Commissioner of Insurance, having fully considered and reviewed the financial condition examination report, together with all written submissions, applicable rebuttals, and all relevant portions of the examiners' work papers, and further, being fully advised on all premises, hereby find:

**Policy Reasons**

It is stated policy of the State of Kansas that whenever the Commissioner of Insurance deems it necessary, an examination of the affairs and financial condition of any insurance company in the process of organization, applying for admission, or doing business in this State can be undertaken. In all cases, such an examination must occur once every five (5) years. Through the examination process, the insurance consuming public will be well served and protected.

**Findings of Fact**

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.
2. An examination of Preferred Health Systems Insurance Company, Inc. was undertaken by the Kansas Insurance Department and was completed on July 20, 2004.

3. The examiner-in-charge tendered and filed with the Kansas Insurance Department a verified written report of the examination within thirty (30) days following completion of the examination, to wit; July 20, 2004.

4. Following receipt of the verified report, the Kansas Insurance Department transmitted the report to Preferred Health Systems Insurance Company, Inc. on July 26, 2004, with a duly executed notice advising the company of its opportunity to prepare and submit to the Kansas Insurance Department a written submission or rebuttal with respect to any and all matters contained in the report. Preferred Health Systems Insurance Company, Inc. was further advised that any written submission or rebuttal needed to be filed with the Kansas Insurance Department no later than thirty (30) days after receipt of the verified report.

5. Preferred Health Systems Insurance Company, Inc. filed a written rebuttal of the verified report on August 13, 2004.

6. The Kansas Insurance Department transmitted the revised report to Preferred Health Systems Insurance Company, Inc. on August 13, 2004, with a duly executed notice advising the company of its opportunity to prepare and submit to the Kansas Insurance Department a written submission or rebuttal with respect to any and all matters contained in the report. Preferred Health Systems Insurance Company, Inc. was further advised that any written submission or rebuttal needed to be filed with the Kansas Insurance Department no later than thirty (30) days after receipt of the verified report.

7. Preferred Health Systems Insurance Company, Inc. filed a written acceptance of the verified report on August 23, 2004.

8. Based upon the written submission tendered by Preferred Health Systems Insurance Company, Inc., the company took no exceptions to matters contained in the verified report.

9. Within thirty (30) days of the end of the time period allowed for written submission or rebuttal, the Commissioner of Insurance fully reviewed the report, together with all written submissions and rebuttals provided by Preferred Health Systems Insurance Company, Inc.. The Commissioner of Insurance further reviewed all relevant workpapers.

10. No other written submissions or rebuttals were submitted by Preferred Health Systems Insurance Company, Inc.

**Conclusion of Law**

11. K.S.A. 40-222(d)(2) provides:

“Within 30 days of the end of the period allowed for the receipt of written submissions or rebuttals, the commissioner shall fully consider and review the report, together with any written submissions or rebuttals and any relevant portions of the examiners workpapers and enter an order:

- (A) Adopting the examination report as filed or with modification or corrections. If the examination report reveals that the company is operating in violation of any law, regulation or prior order of the commissioner, the commissioner may order the company to take any action the commissioner considers necessary and appropriate to cure such violations; or
- (B) rejecting the examination report with directions to the examiners to reopen the examination for purposes of obtaining additional data, documentation or information, and refiling pursuant to subsection (k); or
- (C) call and conduct a fact-finding hearing in accordance with K.S.A. 40-281 and amendments thereto for purposes of obtaining additional documentation, data, information and testimony.”

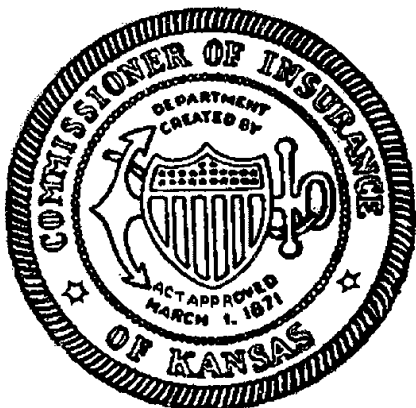
12. Based upon the Finding of Fact enumerated in paragraphs #1 through #10 above, the financial condition examination report as of December 31, 2003 of Preferred Health Systems Insurance Company, Inc. should be adopted.

**IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:**

1. The financial condition examination report as of December 31, 2003 of Preferred Health Systems Insurance Company, Inc., here is adopted.

2. The Commissioner of Insurance retains jurisdiction over this matter to issue any and all further Orders deemed appropriate or to take such further action necessary to dispose of this matter.

**IT IS SO ORDERED THIS 26th DAY OF AUGUST, 2004, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.**



\_\_\_\_\_/s/ Sandy Praeger\_\_\_\_\_

Sandy Praeger  
Commissioner of Insurance

BY:

\_\_\_\_\_/s/ John W. Campbell\_\_\_\_\_

John W. Campbell  
General Counsel