

**STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER**

In the Matter of

Order No. 18-0220

CYPRESS INSURANCE COMPANY,

Unauthorized Entity.

ORDER TO CEASE AND DESIST

Pursuant to RCW 48.02.080(3)(a), RCW 48.15.023(5)(a)(i), and RCW 48.17.063(4)(a)(i), the Insurance Commissioner of the state of Washington ("Insurance Commissioner") orders the above-named Respondent, and its officers, directors, trustees, employees, agents, and affiliates to immediately cease and desist from:

- A. Engaging in or transacting the unauthorized business of insurance in the state of Washington;
- B. Seeking, pursuing and obtaining any insurance business in the state of Washington;
- C. Soliciting Washington residents to purchase any insurance to be issued by an unauthorized insurer;
- D. Soliciting Washington residents to induce them to purchase any insurance contract.

BASIS:

- 1. Cypress Insurance Company ("Cypress") is an Arizona domiciled captive insurance company.
- 2. Cypress was admitted as a captive insurance company in Arizona on July 1, 2008.
- 3. Cypress is a pure captive insurance company, whose sole insured is the Microsoft Corporation family of companies. More specifically, any subsidiary of Microsoft Corporation, Microsoft Corporation's interest in any partnership or joint venture associated or allied company, corporation, firm or organization in which Microsoft Corporation has management control or ownership as currently constituted or acquired in the future.

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State of Washington
Office of Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

4. Microsoft Corporation maintains its principal place of business in Redmond, Washington.

5. Microsoft Corporation's liabilities insured by Cypress are partially located in Washington State.

6. Cypress's board of directors is made up of five (5) individuals. Four (4) of these individuals appear to be employees of Microsoft Corporation, whose principal place of business is Washington State.

7. Cypress does not hold a certificate of authority to transact insurance in Washington State.

8. Cypress does not hold a Washington State surplus line broker's license to place non-admitted insurance in this state, nor is insurance coverage provided by Cypress placed through a surplus line broker licensed in Washington State.

9. Cypress has collected approximately \$71,194,935 in premium from Microsoft Corporation between 2013 and 2018.

10. Cypress has not paid premium tax to the state of Washington for the years 2013, 2014, 2015, 2016, 2017, and 2018, while insuring Microsoft Corporation, representing approximately \$1,423,898.70 in unpaid premium tax.

11. Cypress's actions described herein violate RCW 48.05.030(1) (certificate of authority required), RCW 48.15.020(1) (solicitation by unauthorized insurer prohibited), RCW 48.17.060(1) (license required), RCW 48.14.020(1) (failing to remit two percent premium tax), and RCW 48.14.060(1)-(2) (failing to timely remit two percent premium tax).

IT IS FURTHER ORDERED that nothing here shall prevent Cypress from fulfilling the terms of contracts formed prior to the effective date of this Order pursuant to RCW 48.15.020(2)(b), from providing a refund when requested by a Washington insured pursuant to RCW 48.15.030, or, upon request of the Insurance Commissioner, further ordering the replacement of Cypress contracts with an authorized insurer pursuant to RCW 48.15.020(3).

Any violation of the terms of this Order by Cypress and its officers, directors, trustees, employees, agents, and affiliates or Cypress's failure to fulfill or perform its contracts subject to this Order will render the violator(s) subject to the full penalties authorized by RCW 48.02.080,

RCW 48.15.023, and RCW 48.17.063 and other applicable sections of the Insurance Code of the state of Washington.

This Order shall remain in effect subject to the further order of the Insurance Commissioner.

NOTICE OF OPPORTUNITY FOR HEARING

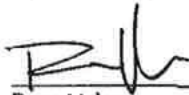
Respondent has the right to demand a hearing in accordance with RCW 48.04.010, WAC 284-02-070, and WAC 10-08-110. This Order is also subject to the provisions of Chapter 34.05 RCW. A respondent has 90 days from receipt of this Order to demand a hearing. If the Insurance Commissioner does not receive a hearing demand from the Respondent within 90 days from the date the respondent received this Order, the respondent's right to a hearing is conclusively deemed to have been waived.

THIS ORDER IS EFFECTIVE IMMEDIATELY AND IS ENTERED at Tumwater, Washington, this 9th day of May, 2018.



MIKE KREIDLER
Insurance Commissioner

By and through his designee



Ross Valore
Insurance Enforcement Specialist
Legal Affairs Division

CERTIFICATE OF MAILING

The undersigned certifies under the penalty of perjury under the laws of the state of Washington that I am now and at all times herein mentioned, a citizen of the United States, a resident of the state of Washington, over the age of eighteen years, not a party to or interested in the above-entitled action, and competent to be a witness herein.

On the date given below I caused to be served the foregoing Order to Cease and Desist on the following individual(s) by depositing in the U.S. mail via state Consolidated Mail Service with proper postage affixed to:

Corporation Service Company
2338 West Royal Palm Road, Suite J
Phoenix, AZ 85021
Statutory Agent for Cypress Insurance Company

Cypress Insurance Company
2929 North Central Avenue
Phoenix, AZ 85012

Dated this 9th day of May, 2018, in Tumwater, Washington.

Christine M. Tribe
Christine M. Tribe
Paralegal
Legal Affairs Division