

**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION**

In the Matter of **United Freight Carriers**) **CEASE and DESIST**
of North America.) **ORDER**
) Case No. INS 04-02-006

The Director of the Oregon Department of Consumer and Business Services (director) commenced this administrative proceeding, pursuant to Oregon Revised Statutes (ORS) 731.256, to take enforcement action against United Freight Carriers of North America (UFCNA).

The director hereby issues this cease and desist order to UFCNA, pursuant to ORS 731.252, because the director has reason to believe that UFCNA has violated, is violating, or is about to violate the Insurance Code as specified herein.

Findings of Fact

Licensing Information

UFCNA has never been licensed in Oregon as an insurer. On or about 4/1/03, UFNCA was formed. UFNCA may be a partnership of Bryan Holstrom (Holstrom) and Jill Hunter (Hunter). On or about 5/12/03, Holstrom and Hunter jointly registered with the Oregon Corporation Division the assumed business name of UFCNA. Holstrom is the president of UFNCA. UFCNA's last known mailing address is 1879 NW Commerce Court, Troutdale, OR 97060-8510, its telephone number is 503 674-0470; and its fax number is 503-492-5593.

Transacting Insurance Without Any License

UFCNA violated ORS 731.354 in at least three instances by transacting insurance from within Oregon relative to persons located outside of Oregon, without being licensed in Oregon as an insurer. ORS 731.354 prohibits a person from transacting insurance as an insurer in Oregon without being licensed in Oregon as an insurer. At all relevant times, UFCNA has not been licensed in Oregon as an insurer, but has transacted insurance as described below from within Oregon at the offices of UFCNA at 1879 NW Commerce Court, Troutdale, OR 97060-8510; or from

the offices of BK Cargo, Inc. at 21035 SE Morrison Street Suite B, Gresham, OR 97030-2325.

On or about 4/1/03, UFCNA was formed, *inter alia*, “To work to meet the needs of members to obtain an affordable alternative to insurance coverage.” A person may become a full member, as opposed to an associate member, of UFCNA if the person owns, operates or controls a business that is involved in the movement of freight. Since at least 5/7/03, UFCNA has been soliciting persons to become members of UFCNA, and offering to provide to them a “Group Purchase Liability Plan.” The plan consists exclusively of liability, property and cargo insurance. All of the insurance is provided by UFCNA from its assets but referred to as a “group pool.” UFCNA offers the plan to persons in 48 states in the United States, and in all territories of Canada.

On several occasions, UFCNA represented to its prospective members or members that the insurance was or would be provided in whole or in part by unspecified underwriters at Lloyds, RLI Insurance Company (RLI), or an unspecified insurer of the AIG International Group (AIG). However, Lloyds and RLI have expressly denied any association with UFCNA, and AIG was requested but declined to provide the insurance.

UFCNA has transacted insurance in at least the following three instances involving persons located outside of Oregon.

UFCNA provided insurance to Diamond Delivery Service, Inc. (Diamond) of Fort Wayne, Indiana. On or about 5/7/03, Diamond paid UFCNA \$19,500 as the initial and partial payment of the \$78,000 annual premium for the insurance. On 5/15/03, UFCNA and Diamond entered into an agreement in which UFCNA agreed to loan the balance of the premium and Diamond agreed to pay UFCNA \$6,520 in nine installment payments beginning on 6/1/03. On or about 6/24/03, UFCNA issued a certificate of insurance to Diamond stating that Diamond was insured by only UFCNA for general liability, automobile liability, and for cargo coverage. On 7/2/03 and again on 8/11/03, Diamond paid UFCNA \$6,520 each as installment payments. Thus, Diamond paid UFCNA a total of \$32,000 for the insurance. On 11/3/03,

Diamond requested NFCNA to refund all premiums paid because NFCNA had not procured the insurance from an authorized insurer. As of 2/6/04, NFCNA had not refunded the money to Diamond.

UFCNA provided insurance to W. Geneau Trucking, Ltd. (Geneau) of Cornwall, Ontario, Canada. Sometime prior to 6/16/03, Geneau paid UFCNA \$35,370 as the initial and partial payment of the \$141,880 annual premium for the insurance. On 6/16/03, UFCNA and Geneau entered into a agreement in which UFCNA agreed to loan the balance of the premium and Geneau agreed to pay UFCNA \$11,844 in nine installment payments beginning on 8/1/03. On or about 6/30/03, UFCNA sent a letter dated that date to Geneau informing Geneau that it “is now covered with the UFCNA Group Purchase Liability Plan which is back[ed] by RLI Transportation [meaning the Transportation Division of RLI Insurance Company (RLI)].” On the next day, 7/1/03, UFCNA issued a certificate of insurance to DOMTAR, Inc. of Cornwall, Ontario, Canada, stating that Geneau was insured by UFCNA and RLI for general liability and automobile liability coverage, and by UFCNA for cargo coverage. On 7/11/03, Holstrom, on behalf of UFCNA, faxed to Geneau a letter dated 7/10/03 stating that “The [insurance] coverage [that UFCNA’s plan provides] is [in] all 48 states in the United States and all of Canada Territories. All Members of [UFCNA] who elect to join the group Liability program are covered under one blanket policy issued to [UFCNA] in the State of Oregon. All members then receive binders of that policy. The [UFCNA] covers the Cargo Insurance with the Group Pool Fund and RLI Transportation [covers] the Liability coverage.” On or about 7/11/03, RLI faxed a letter to Holstrom at UFCNA stating that RLI “is not associated in any way with this purchasing” and requesting UFCNA to “cease and desist using the name of RLI Insurance Company or RLI Transportation in any manner, other than to advise all interested parties that RLI is not ... insuring [any] participant in this purchasing group plan.”

UFCNA has offered to provide insurance to Michel Lussler Transport Ltee (Transport) of Ontario, Canada. On 11/25/03, UFCNA faxed to Transport a letter dated the same date offering to provide liability, property and cargo insurance for a

total annual premium of \$28,950 effective from 12/1/03. Transport did not accept the offer or purchase any insurance from UFCNA.

Order

Pursuant to ORS 731.252, UFCNA, its owners, officers, employers, and successors, shall immediately cease and desist from violating the above provision(s) of the Oregon Insurance Code.

Notice of Right to a Hearing and Judicial Review

The party has the right to a hearing pursuant to ORS 731.252. If a party wants a hearing, then the party must send to the Insurance Division a written request for a hearing so that the Insurance Division *receives* the request within **20 days** from the date this order was *sent* to the party. The party may send the request by delivering or mailing it to the Insurance Division at 350 Winter Street NE, Room 440, Salem, Oregon, 97301-3883; or faxing it to 503-378-4351; or e-mailing it to mitchel.d.curzon@state.or.us.

If the Insurance Division receives from or on behalf of a party a written request for a hearing by the due date, then the Insurance Division will refer the request to the Office of Administrative Hearings (OAH). OAH will schedule the hearing and notify the party of the date and location of the hearing and other related information. OAH will conduct the hearing and issue a proposed order. The hearing will be conducted in accordance with the Oregon Administrative Procedures Act, ORS Chapter 183; and the Attorney General's Model Rules, OAR 137-003-0501 *et seq.* A party that is an individual may represent him or her self at a hearing; or may be represented by an attorney licensed in Oregon. A party that is a corporation, partnership, limited liability company, unincorporated association, trust, or government agency must be represented at a hearing by an attorney licensed in Oregon except as otherwise provided by law.

If the Insurance Division does not receive from or on behalf of a party a written request for a hearing by the due date, then this order will become final by default. If this order becomes final by default, then the designated portion of the Insurance

Division's investigation file on the party automatically becomes part of the contested case record upon default for the purpose of proving a prima facie case.

Also, if this order becomes final by default, then the party may request the Oregon Court of Appeals to review this order pursuant to ORS 183.480 and 183.482 by filing a written petition for judicial review with the court within 60 calendar days after the date this order was *sent* to the party.

Dated February 20, 2004

/s/ Cory Streisinger
Cory Streisinger
Director
Department of Consumer and Business Services

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