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2
3 STATE OF OREGON
4 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
5 DIVISION OF FINANCIAL REGULATION

6 In the Matter of:

Case No. INS-18-0091

7 UNDERWRITERS AT LLOYD’S,
8 LONDON,

Respondent.

FINAL ORDER TO CEASE AND
DESIST, ORDER ASSESSING CIVIL
PENALTY, AND CONSENT TO
ENTRY OF ORDER

9
10 The Director of the Department of Consumer and Business Services for the State
11 of Oregon (“Director”), acting in accordance with the Oregon Revised Statutes (“ORS”)
12 chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 744, 746, 748 and 750 (“Insurance
13 Code”), has conducted an investigation of UNDERWRITERS AT LLOYD’S, LONDON
14 (“Lloyd’s”) regarding violations of the Insurance Code.

15 Lloyd’s wishes to resolve and settle this matter with the Director.

16 Now, therefore, as evidenced by the signature(s) subscribed in this Order, Lloyd’s
17 hereby CONSENTS to entry of this Order.

18 FINDINGS OF FACT

19 The Director FINDS that:

- 20 1. Lloyd’s is an alien insurer.
- 21 2. Lloyd’s principal business mailing address in the United States is care of
22 Lloyd’s America, Inc. 42 West 54th Street, New York, NY 10019.
- 23 3. Lloyd’s provides wet marine and transportation insurance, also known as ocean
24 marine insurance, to consumers in Oregon.
- 25 4. Each insurer providing wet marine and transportation insurance to consumers
26 in Oregon shall file a report (“Ocean Marine Report”) annually on or before June 15 with

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 the Director and pay tax on underwriting profits of wet marine insurers.

2 5. Lloyd's has failed to file its Ocean Marine Report for multiple years, including:

3 A. A failure to file a 2015 Ocean Marine Report by June 15, 2016.

4 B. A failure to file a 2016 Ocean Marine Report by June 15, 2017.

5 C. A failure to file a 2017 Ocean Marine Report by June 15, 2018.

6 6. On September 21, 2018, Lloyd's provided the Division of Financial Regulation
7 ("Division") with underwriting profit data that indicated the tax owed for the last three
8 outstanding years is "\$0" based on the company's estimates.¹

9 CONCLUSIONS OF LAW

10 The Director CONCLUDES that:

11 7. Under ORS 731.252(1), whenever the Director has reason to believe that any
12 person has been engaged or is engaging or is about to engage in any violation of the
13 Insurance Code, the Director may issue an order to discontinue or desist from such
14 violation or threatened violation.

15 8. ORS 731.824(1) states that wet marine and transportation insurance written by
16 alien insurers within this state shall be taxed only on that proportion of the total
17 underwriting profit.

18 9. ORS 731.828(1) states that each insurer providing wet marine and
19 transportation insurance to consumers in this state shall file annually on or before June 15
20 with the Director a report of all the items pertaining to its insurance business as enumerated
21 and prescribed in ORS 731.824.

22 10. Lloyd's failed to file the Ocean Marine Report for multiple tax years as required
23 under ORS 731.824(1) and 731.828(1).

24 11. ORS 731.988(1) authorizes the Director to impose upon Lloyd's a civil penalty

25 _____
26 ¹ Recent articles have discussed the operating losses in the marine industry. *See* Costas Paris, *Lloyd's of London Reviews Marine Insurance Market as Losses Mount*, WALL ST. J., Oct. 23, 2018; Jim Mulrenan, *Caution at Lloyd's After Marine Loss Escalates*, TRADEWINDS NEWS, March 22, 2018.



1 of up to \$10,000 per violation of ORS 731.824(1) and 731.828(1).

2 **ORDERS**

3 Now therefore, the Director issues the following Orders:

4 12. Pursuant to ORS 731.252(1), the Director ORDERS Lloyd's to CEASE AND
5 DESIST from violating any provision of the Insurance Code or the administrative rules
6 promulgated thereunder.

7 13. Lloyd's agrees to reimburse the Division of Financial Regulation for its
8 administrative costs in reviewing this matter in the amount of \$4033.40, which is due and
9 payable at the time this Order is returned to the Division.

10 14. Pursuant to ORS 731.988(1), the Director ORDERS Lloyd's to pay a CIVIL
11 PENALTY of \$10,000 for violating ORS 731.824(1) and 731.828(1).

12 15. Lloyd's must pay the civil penalty assessed herein, which is due and payable at
13 the time this Order is returned to the Division.

14 16. Lloyd's must file the estimated Ocean Marine Reports for tax years 2015, 2016
15 and 2017 with completed affidavits at the time this Order is submitted to the Director.

16 17. Lloyd's must file a complete and accurate Ocean Marine Report for 2018 by
17 June 15, 2019 and every year thereafter as required by the Insurance Code.

18
19 SO ORDERED this 20th day of December, 2018 in Salem,
20 Oregon.

21 CAMERON C. SMITH, Director
22 Department of Consumer and Business Services

23
24 /s/ Dorothy Bean
25 Dorothy Bean, Chief of Enforcement
26 Division of Financial Regulation

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ENTITY CONSENT TO ENTRY OF ORDER

I, Joseph P. Gunset, am an officer of Lloyd’s America, Inc., and I am authorized to act on behalf of Underwriters at Lloyd’s, London (“Lloyd’s”). I have read the foregoing Order and I know and fully understand the contents hereof. The factual allegations stated herein are true and correct. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. Lloyd’s voluntarily consents to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order. Lloyd’s understands that the Director reserves the right to take further action against it to enforce this Order or to take appropriate action upon discovery that Lloyd’s has committed other violations of the Oregon Insurance Code. Lloyd’s, along with its officers, directors, employees, or agents, will fully comply with the terms and conditions stated herein.

Lloyd’s understands that this Order is a public document.

Signature: /s/ Joseph P. Gunset

Position Held: General Counsel

State of New York

County of Kings

There appeared before me on this 17th day of December, 2018,

Joseph P. Gunset who was first duly sworn on oath, and stated that he/she was and is an officer of Lloyd’s and that he/she is authorized and empowered to sign this Consent to Entry of Order on behalf of Lloyd’s and to bind Lloyd’s to the terms hereof.

/s/ Timothy W. Grant
Notary Public

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