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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-18-0102

7 LIBERTY NORTHWEST INSURANCE
8 CORPORATION,

Respondent.

9 FINAL ORDER TO CEASE AND
10 DESIST AND ORDER ASSESSING
11 CIVIL PENALTIES, ENTERED BY
12 CONSENT

13 The Director of the Department of Consumer and Business Services for the State
14 of Oregon (“the Director”) conducted an investigation of Liberty Northwest Insurance
15 Corporation (“LNWIC”) under the Insurance Code, Oregon Revised Statutes (“ORS”)
16 chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 743B, 744, 746, 748, and 750, and
17 determined that LNWIC violated ORS 732.554 and 732.576.

18 LNWIC wishes to settle this matter with the Director.

19 Now, therefore, as evidenced by the signature(s) subscribed in this Order, LNWIC
20 hereby CONSENTS to entry of this Order as the full and final settlement of this matter,
21 upon the Director’s Findings of Fact and Conclusions of Law as stated below.

22 **FINDINGS OF FACT**

23 The Director FINDS that:

- 24 1. LNWIC has been licensed in Oregon as a domestic insurer since February 18,
25 1983. Its NAIC Company Code is 41939.
26 2. LNWIC’s main administrative office address is 175 Berkeley Street, Boston,
MA 02116. Its statutory home office address is One Liberty Centre, Portland, OR 97232.
3. On or about April 12, 2018, LNWIC declared an extraordinary cash dividend payable to its sole shareholder, Peerless Insurance Company (“Peerless”). LNWIC did not

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1 report the dividend to the Director within five days of the declaration.

2 4. On or about May 11, 2018, LNWIC paid Peerless an extraordinary cash
3 dividend in the amount of \$19,380,000. The extraordinary cash dividend was not based on
4 earned surplus.

5 5. LNWIC made the extraordinary cash dividend payment without first notifying
6 the Director and without his prior approval.

7 6. Upon the Director notifying LNWIC of this matter, LNWIC promptly notified
8 the Director on or about September 19, 2018, that it had paid an extraordinary cash
9 dividend to Peerless by virtue of a filing pursuant to ORS 732.576.

10 7. On or about September 24, 2018, the Director, through the Division of Financial
11 Regulation (“the Division”), approved the dividend paid.

12 8. LNWIC has taken action to strengthen internal controls, protocols, and policies
13 to prevent future violations of the above Insurance Code provisions.

14 **CONCLUSIONS OF LAW**

15 The Director CONCLUDES that:

16 9. The Director has reason to believe that LNWIC has violated ORS 732.554 and
17 732.576. Thus, under ORS 731.252(1), the Director may order LNWIC to cease and desist
18 from violating ORS 732.554 and 732.576.

19 10. By failing to notify the Director within five days of declaring an extraordinary
20 cash dividend, LNWIC violated ORS 732.554.

21 11. By failing to notify the Director prior to paying Peerless an extraordinary cash
22 dividend, LNWIC violated ORS 732.576(2)(a).

23 12. By paying Peerless an extraordinary cash dividend that was not from earned
24 surplus without prior approval from the Director, LNWIC violated ORS 732.576(3)(a).

25 13. ORS 731.988(1) authorizes the Director to impose upon LNWIC a civil penalty
26 of up to a maximum of \$10,000 per violation of a provision of the Insurance Code.



1 **ORDERS**

2 Now therefore, the Director issues the following Orders:

3 14. As authorized by ORS 731.252(1), the Director hereby ORDERS LNWIC to
4 CEASE AND DESIST from violating ORS 732.554 and 732.576.

5 15. As authorized by ORS 731.988(1), the Director ORDERS LNWIC to pay a total
6 of \$15,000 in CIVIL PENALTIES, allocated as follows:

- 7 A. \$5,000 for violating ORS 732.554;
- 8 B. \$5,000 for violating ORS 732.576(2)(a); and
- 9 C. \$5,000 for violating ORS 732.576(3)(a).

10 16. The civil penalties assessed herein are due and payable at the time this Order is
11 returned to the Division.

12 17. This Order is a “Final Order” under ORS 183.310(6)(b). Subject to that
13 provision, entry of this Order in no way limits or prevents further remedies available to the
14 Director under Oregon law to enforce this Order or take action for violations of this Order
15 or of the Insurance Code that are not covered by this Order.

16
17 SO ORDERED this 18th day of March, 2019

18
19 CAMERON C. SMITH, Director
20 Department of Consumer and Business Services

21 /s/ Dorothy Bean
22 Dorothy Bean, Chief of Enforcement
23 Division of Financial Regulation
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ENTITY CONSENT TO ENTRY OF ORDER

I, Richard P. Quinlan, am an officer or manager of Liberty Northwest Insurance Corporation (“LNWIC”), and I am authorized to act and sign on its behalf. 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. LNWIC 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. LNWIC 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 LNWIC has committed other violations of the Insurance Code. LNWIC, along with its officers, directors, employees, or agents, will fully comply with the terms and conditions stated herein.

LNWIC understands that this Order is a public document.

Signature: /s/ Richard P. Quinlan

Position Held: Assistant Secretary

State of Massachusetts

County of Suffolk

Signed or attested before me on this 7 day of March, 2019.

/s/ Sherri A. DeYoung

Notary Public

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