

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of:

Case No. INS-20-0060

LIBERTY NORTHWEST INSURANCE
CORPORATION,

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

Respondent.

THIS IS A FINAL ORDER

The Director of the Department of Consumer and Business Services for the State of Oregon (“Director”), acting in accordance with Oregon Revised Statutes (“ORS”) chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 743B, 744, 746, 748 and 750 (“Insurance Code”), has conducted an investigation into the insurance related activities of Liberty Northwest Insurance Corporation (“Respondent”).

Respondent submits to the Director’s jurisdiction and agrees to waive its rights to notice and an administrative hearing that arise under ORS 183.415, and wishes to resolve and settle this matter by consenting to entry of this Final Order.

Now therefore, as evidenced by the signatures subscribed in this Order, Respondent hereby consents to entry of this Order upon the Director’s Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

The Director FINDS that:

1. Respondent has been licensed by the Director, by and through the Division of Financial Regulation, previously known as the Insurance Division (collectively the

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



1 “Division”), as a domestic insurer since February 18, 1983 and provides property and
2 casualty products in Oregon. Respondent’s principle place of business is 175 Berkeley
3 Street, Boston, MA 02116. Respondent’s National Association of Insurance
4 Commissioners (“NAIC”) company code is 41939.

5 2. On or before March 1, 2020, Respondent filed with the Director a financial
6 statement for the year ending December 31, 2019 (“Financial Statement”).¹

7 A. Respondent’s subsidiary, Liberty Management Services, Inc. (“LMSI”), was not
8 audited as of December 31, 2019. LMSI was not non-admitted on the Financial Statement.

9 B. Respondent did not non-admit its 600 Holladay investment on the Financial
10 Statement. Respondent corrected this item in the Q1 2020 financial statement.

11 C. Respondent did not provide responses or failed to provide complete responses
12 for the following items on the Financial Statement: GI-01_q20.1 & 20.2, GI-01_q36 to
13 q38, GI-02_q13.1 & 13.3, GI-01_q24.03, and GI-01_q28.01.

14
15 **CONCLUSIONS OF LAW**

16 The Director CONCLUDES that:

17 3. Pursuant to ORS 731.252(1), whenever the Director has reason to believe that
18 any person has been engaged or is engaging or is about to engage in any violation of the
19 Insurance Code, the Director may issue an order to discontinue or desist from such
20 violation or threatened violation.

21 4. Pursuant to ORS 731.574(1), every authorized insurer shall file with the
22 Director, on or before March 1 of each year, a financial statement for the year ending
23 December 31 immediately preceding. This statement shall be on a form prescribed by the

24 _____
25 ¹ Respondent’s financial statement filed with the Director for the year ending December 31, 2018 contained
26 similar deficiencies to those described in this Order for the fiscal year ending December 31, 2019. For the
2018 financial statement, the Division elected not to take enforcement action and instead informed
Respondent that the 2018 deficiencies would only result in a warning to allow an opportunity for Respondent
to make improvements.



1 Director. The statement shall contain such detailed exhibit of the condition and transactions
2 of the insurer, in such form and otherwise, as the Director prescribes. The Director shall
3 consider and may prescribe the annual statement blank or other form established by the
4 NAIC, including instructions prepared by the NAIC for completing the blank or other form.
5 If the Director prescribes the blank or other form established by the NAIC, including the
6 instructions, an insurer submitting the annual statement blank or form established by the
7 NAIC must complete the blank or form according to the instructions.

8 5. Pursuant to OAR 836-011-0000(1), every authorized insurer shall file its
9 financial statement required by ORS 731.574 for the 2019 reporting year on the annual
10 statement blank approved for the 2019 reporting year by the NAIC for the type of insurance
11 transacted by the insurer.

12 6. Pursuant to OAR 836-011-0000(2), every authorized insurer shall complete its
13 annual statement blank and quarterly statement blank under section (1) of this rule for the
14 2019 and 2020 reporting year, respectively, according to the applicable instructions
15 published for that year by the NAIC, for completing the blank, as required by ORS 731.574.

16 7. Respondent violated ORS 731.574(1) and OAR 836-011-0000(2) as follows:

17 A. Failing to non-admit LMSI on the Financial Statement as described in
18 Paragraph 2A above.²

19 B. Failing to non-admit its 600 Holladay investment on the Financial Statement as
20 described in Paragraph 2B above.³

21 C. Failing to provide responses or failing to provide complete responses on the
22

23
24 ² NAIC Statutory Accounting Practices & Procedure Manual (“SAPP”) 97(08)(b)(iii) requires that
25 investments in both U.S. and foreign noninsurance SCA entities that do not qualify under paragraph 8.b.ii
shall be recorded based on the audited U.S GAAP equity of the investee.

26 ³ SAPP 20 requires that assets having economic value other than those which can be used to fulfill
policyholder obligations, or those assets which are unavailable due to encumbrances or other third-party
interests should be reported as a non-admitted asset and charged against surplus.



1 Financial Statement as described in Paragraph 2C above.⁴

2 8. Pursuant to ORS 731.988(1), the Director may assess CIVIL PENALTIES in
3 an amount not to exceed \$10,000 per violation against a person who violates any provision
4 of the Insurance Code or any lawful rule of the Director.

5

6

ORDERS

7

The Director issues the following ORDERS:

8

9 9. As authorized by ORS 731.252(1), the Director ORDERS Respondent to
CEASE AND DESIST from violating ORS 731.574(1) and OAR 836-011-0000(2).

10

11 10. Based upon the foregoing and in accordance with ORS 731.988(1), the Director
ORDERS Respondent pay a CIVIL PENALTY of \$10,000 for violating ORS 731.574(1)
12 and OAR 836-011-0000(2) as described in Paragraph 7 above.

13

14 11. The Director hereby suspends payment of \$5,000 of the CIVIL PENALTY for
a period of two years, provided Respondent makes timely and accurate filings of its 2020
15 and 2021 Financial Statement.

16

17 12. The suspended CIVIL PENALTY (\$5,000) will be waived two years from the
effective date of this Order, provided Respondent has complied with the foregoing Order
18 terms. The Director reserves the right to immediately assess and collect the suspended
19 civil penalty upon a determination that Respondent has violated any term of this Order.

20

21 13. The non-suspended CIVIL PENALTY (\$5,000) is due and payable at the time
this Order is returned to the Division.

22

14. This Order is binding upon Respondent’s successors and assigns.

23

///

24

///

25

26

⁴ NAIC Annual Statement Instructions (“ASI”) require that a disclosure or response must be provided for every item and that “none” or “not applicable” shall be indicated if appropriate.

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



1 15. This Order is a “Final Order” under ORS 183.310(6)(b). Subject to that
2 provision, the entry of this Order does not limit other remedies that are available to the
3 Director under Oregon law.

4 SO ORDERED this 2nd day of February, 2021.

5 ANDREW R. STOLFI, Director
6 Department of Consumer and Business Services

7
8 /s/ Dorothy Bean
9 Dorothy Bean, Chief of Enforcement
10 Division of Financial Regulation

11 *[The remainder of this page intentionally left blank.]*
12
13
14
15
16

17 Division of Financial Regulation
18 Labor and Industries Building
19 350 Winter Street NE, Suite 410
20 Salem, OR 97301-3881
21 Telephone: (503) 378-4387



22
23
24
25
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CONSENT TO ENTRY OF ORDER

I, Alison Erbig, state that I am an officer of Liberty Northwest Insurance Corporation and I am authorized to act on its behalf. I have read the foregoing Consent Order, and I know and fully understand the contents hereof. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. Liberty Northwest Insurance Corporation voluntarily and without any force or duress consents to the entry of this Consent Order expressly waiving any right to a hearing in this matter. Liberty Northwest Insurance Corporation understands that the Director reserves the right to take further actions to enforce this Consent Order or to take appropriate action upon discovery of other violations of the Insurance Code. Liberty Northwest Insurance Corporation will fully comply with the terms and conditions stated herein.

Liberty Northwest Insurance Corporation understands that this Consent Order is a public document.

/s/ Alison Erbig 1/14/2021
Signature Dated
Alison Erbig
Printed name
Executive Vice President and Comptroller
Office held

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

