

MAR 29 2001

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE  
BY CB

1	In the Matter of:	)	
2		)	
3		)	No. 01A-041-INS
4	<b>LUMBER MUTUAL INSURANCE</b>	)	
5	<b>COMPANY (NAIC No. 14435)</b>	)	<b>CONSENT ORDER</b>
6		)	
7	Respondent.	)	
8		)	
9		)	
10		)	

11 An Order Summarily Suspending License and Notice of Hearing was issued by the Director  
 12 of the Arizona Department of Insurance (the "Department") on February 23, 2001 concerning the  
 13 suspension of the certificate of authority held by Lumber Mutual Insurance Company ("Respondent")  
 14 to transact property and casualty with workers' compensation insurance business in Arizona.  
 15 Respondent received a copy of this Notice. Respondent has been advised of its right to a hearing in  
 16 this matter, which it waives. Respondent admits the following Findings of Fact are true and consents  
 17 to entry of the following Conclusions of Law and Order.

**FINDINGS OF FACT**

18 1. Respondent Lumber Mutual Insurance Company ("Respondent") is domiciled in  
 19 Massachusetts and presently holds a certificate of authority issued by the Arizona Department of  
 20 Insurance ("Department") to transact property and casualty insurance with workers' compensation.

21 2. On November 1, 2000, the Supreme Judicial Court for Suffolk County, Massachusetts,  
 22 in Linda L. Ruthardt, as she is Commissioner of Insurance of the Commonwealth of Massachusetts  
 23 v. Lumber Mutual Insurance Company, SEACO Insurance Company and North American Lumber  
 24 Insurance Company, No. SJ-2000-0475, issued an Injunction and Order Appointing Receiver. The  
 25 order appoints Commissioner Ruthardt as the Receiver of Respondent and the other two  
 26 above-referenced companies. SEACO and North American are Respondent's wholly owned  
 subsidiaries.

3. The Court, in issuing its order, relied upon Commissioner Ruthardt's determination that

1 Respondent's financial condition renders its further transaction of business hazardous to the public  
2 and to its policyholder and creditors within the meaning of Massachusetts G.L. c.175, §6.

3 4. Respondent's reported net loss for the twelve-month period ending December 31, 1999  
4 was (\$17,093,856). Respondent's net loss for the period ending September 30, 2000 was reported as  
5 (\$7,180,090). This loss is an adverse finding with respect to Respondent's financial condition within  
6 the meaning of A.A.C. R20-6-308(A)(1).

7 5. As of September 30, 2000, Respondent reported a \$14,950,019 receivable from its  
8 parent, subsidiaries or affiliates, which was equal to 41.6% of Respondent's surplus as regards  
9 policyholders at that date. Respondent's asset values are attributable to investments in and  
10 transactions with its parent, subsidiaries, or affiliates which is an adverse finding within the meaning  
11 of A.A.C. R20-6-308(A)(8).

12 6. Respondent's wholly owned subsidiaries, SEACO Insurance Company and North  
13 American Lumber Insurance Company, were placed in receivership and appear to be operating in a  
14 condition that would render the continuance of their business hazardous to Respondent's  
15 policyholders, within the meaning of A.A.C. R20-6-308(A)(9).

16 7. On March 9, 2001, Respondent's certificate of authority to transact business in the State  
17 of Oregon was suspended. Within that Order, Respondent was prohibited from soliciting or issuing  
18 new policies of insurance or assuming any Oregon risk. Respondent was permitted to service existing  
19 policies of insurance issued to Oregon residents, was ordered to file its annual financial statement, and  
20 pay any fees and taxes upon request. All agents with the authority to represent Respondent in the state  
21 of Oregon was also suspended, for the same period and to the same extent as Respondent's Oregon  
22 certificate of authority.

### 23 CONCLUSIONS OF LAW

24 1. Respondent is in an unsound condition or in such condition as to render its further  
25 transaction of insurance in this state hazardous to its policyholders or to the people of this state, within  
26 the meaning of A.R.S. §20-220(A)(3) and A.A.C. R20-6-308.

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2. Respondent no longer meets the requirements for the authority originally granted on account of deficiency in assets or otherwise, within the meaning of A.R.S. §20-219(2).

3. Grounds exist for the Director to suspend or revoke Respondent's certificate of authority pursuant to A.R.S. §§20-219 and 20-220(A)(3).

**ORDER**

IT IS ORDERED:

1. Suspending the certificate of authority held by Respondent Lumber Mutual Insurance Company to transact insurance business in Arizona.

2. The hearing in this matter, currently set for April 16, 2001, shall be vacated.

DATED AND EFFECTIVE this 29<sup>th</sup> day of March, 2001.



\_\_\_\_\_  
CHARLES R. COHEN, Director  
Arizona Department of Insurance

1 **CONSENT TO ORDER**

2 1. Respondent has reviewed the foregoing Findings of Fact, Conclusions of Law and  
3 Order.

4 2. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona, and  
5 admits the foregoing Findings of Fact and consents to the entry of the foregoing Conclusions of Law  
6 and Order.


7 3. Respondent is aware of its right to notice and a hearing at which it may be represented  
8 by counsel, present evidence and cross-examine witnesses. Respondent irrevocably waives its right  
9 to such notice and hearing and to any court appeals relating to this Consent Order.

10 4. Respondent states that no promise of any kind or nature whatsoever, except as expressly  
11 contained in this Consent Order, was made to it to induce it to enter into this Consent Order and that  
12 it has entered in this Consent Order voluntarily.

13 5. Respondent acknowledges that the acceptance of this Consent Order by the Director  
14 is solely to settle this matter against it and does not preclude any other agency, officer or subdivision  
15 of this state from instituting civil or criminal proceedings as may be appropriate now or in the future.

16 March 22, 2001  
17 Date

Lumber Mutual Insurance Company

18 By   
19 Linda L. Ruthardt, Massachusetts  
20 Commissioner of Insurance, solely in  
21 ~~her~~ her capacity as Receiver

1 COPY of the foregoing mailed/delivered  
2 this 29th day of March, 2001, to:

3 Sondra J. Vanella  
4 Administrative Law Judge  
5 Office of Administrative Hearings  
6 1400 West Washington, Suite 101  
7 Phoenix, AZ 85007

8 Linda L. Ruthardt, Receiver  
9 Massachusetts Division of Insurance  
10 Attention: Daniel R. Judson, Esq.  
11 One South Station  
12 Boston, MA 02110

13 J. David Leslie  
14 Margaret Hayes  
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20 P.O. Box 9165  
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22 Larry Etchechury, Director  
23 Industrial Commission of Arizona  
24 800 West Washington Street  
25 Phoenix, AZ 85007-2922

26 Sara M. Begley, Deputy Director  
27 Steven P. Ferguson, Assistant Director  
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