

JUN 13 2002

DEPT. OF INSURANCE
BY CS

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

In the Matter of)
)
THE CONNECTICUT SURETY COMPANY)
(NAIC No. 36960))
)
Respondent.)

Docket No. 02A-109-INS
CONSENT ORDER

The State of Arizona, Department of Insurance (the "Department"), has received evidence that The Connecticut Surety Company ("Respondent") violated certain solvency provisions of Arizona Revised Statutes ("A.R.S."), Title 20. Respondent wishes to resolve this matter without the commencement of formal proceedings, and admits the following Findings of Fact are true and consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. Respondent The Connecticut Surety Company is domiciled in Connecticut and presently holds a certificate of authority issued by the Arizona Department of Insurance to transact surety insurance.

2. On February 6, 2002, in Cause No. CV-02-0814173S, Susan F. Cogswell, Insurance Commissioner of the State of Connecticut v. The Connecticut Surety Company, the Superior Court of Connecticut, Judicial District of Hartford placed Respondent into rehabilitation. The court appointed Susan F. Cogswell, Insurance Commissioner of the State of Connecticut, Rehabilitator of Respondent, and directed the Rehabilitator to take possession and control of and title to Respondent's assets and property in accordance with Connecticut law.

1 3. As of September 30, 2001, Respondent reported total liabilities of \$6,060,114 and total
2 cash and invested assets of \$8,032,760, \$3,800,000 of which are held by the various States in the form of
3 special or statutory deposits, resulting in liabilities exceeding available liquid assets, and constituting an
4 adverse finding within the meaning of A.A.C. R20-6-308(A)(18).

5 4. As of December 31, 2000, Respondent reported a risk-based capital level of 172% which
6 represents a company action level event pursuant to A.R.S. §20-488.02, and which constitutes an
7 adverse finding and information with respect to Respondent's financial condition within the meaning of
8 A.A.C. R20-6-308(A)(1).

9 5. Respondent has reported the following losses from operations in each of the past four
10 years ending December 31, 2000, and for the nine months ended September 30, 2001; -\$978,000 for
11 year ended 1997, - \$2,000,000 for the year ended 1998, - \$3,800,000 for the year ended 1999,
12 - \$895,000 for the year ended 2000, and - \$931,000 for the nine months ended September 30, 2001,
13 which constitutes an adverse finding and information with respect to the Respondent's financial
14 condition within the meaning of R20-6-308(A)(1).

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

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

20 **CONCLUSIONS OF LAW**

21 1. The Director of Insurance, State of Arizona ("Director") has jurisdiction over this matter.
22
23

1 2. Respondent is in unsound financial condition or in such a condition as to render the
2 further transaction of insurance in this State hazardous to its policyholders or to the people of this State
3 within the meaning of A.R.S. §20-220(A)(3).

4 3. Grounds exist for the Director to suspend or revoke Respondent's certificate of authority
5 pursuant to A.R.S. §§ 20-219(2) and 20-220(A).

6 **ORDER**

7 **IT IS ORDERED** suspending the certificate of authority held by Respondent The Connecticut
8 Surety Company to transact new and renewal insurance business, effective immediately.

9 DATED AND EFFECTIVE this 13th day of June, 2002.

10 

11 _____
12 CHARLES R. COHEN
13 Director of Insurance

14 **CONSENT TO ORDER**

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

16 2. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona, and
17 admits the foregoing Findings of Fact and consents to the entry of the foregoing Conclusions of Law and
18 Order.

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

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

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

7
8 THE CONNECTICUT SURETY COMPANY

9
10 6/3/02
Date

11 Susan F. Cogswell
By: Susan F. Cogswell
Insurance Commissioner of the
State of Connecticut, as
Liquidator of The Connecticut
Surety Company

12 COPY of the foregoing mailed/hand-delivered
13 this 13th day of June, 2002, to:

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15 President
16 The Connecticut Surety Company
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18 Hartford, CT 06103-4506

19 Craig Hunt Krahl
20 Statutory Agent for The Connecticut Surety Company
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23 Hartford, CT 06103-3403

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