

STATE OF ARIZONA

STATE OF ARIZONA  
FILED

DEPARTMENT OF INSURANCE

FEB 7 2003

DEPT. OF INSURANCE  
BY Kate

In the Matter of )  
)  
**NORTHWESTERN NATIONAL** )  
**CASUALTY COMPANY** )  
**(NAIC No. 23906)** )  
Respondent. )

Docket No. 03A-021-INS  
CONSENT ORDER

The State of Arizona, Department of Insurance (the "Department"), has received evidence that Northwestern National Casualty Company ("Respondent") violated 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 Northwestern National Casualty Company ("Respondent") was domiciled in Wisconsin until December 31, 2002, and is now domiciled in Texas and presently holds a certificate of authority issued by the Arizona Department of Insurance ("Department") to transact casualty with workers' compensation, marine and transportation, property, surety, and vehicle insurance.

2. On November 1, 2001, the Commissioner of Insurance for the State of Wisconsin ("Wisconsin Commissioner") issued Stipulation and Order in the Matter of Northwestern National Casualty Company and NN Insurance Company, Case No. 01-C27301, for the stated purpose of preserving the existing quality and integrity of the assets, reserves, and management of Respondent and

1 its subsidiary, in order to protect policyholders and the public. In the Order, Respondent and its  
2 subsidiary consent to cease certain transactions including sales, purchases, payments, exchanges, loans,  
3 extensions of credit or investments with any affiliate, without the prior approval of the Wisconsin  
4 Commissioner.

5 3. On April 12, 2002, the Wisconsin Commissioner issued a Stipulation and Order in the  
6 Matter of Northwestern National Casualty Company and NN Insurance Company, Case No. 02-C27556,  
7 in which Respondent and its subsidiary consent to cease and desist writing new policies and offering  
8 renewal policies.

9 4. On October 31, 2002, Highlands Insurance Group, Inc., the ultimate parent company of  
10 Respondent filed for Chapter 11 bankruptcy protection in Delaware bankruptcy court.

11 **CONCLUSIONS OF LAW**

12 1. The Director has jurisdiction over this matter.

13 2. The filing of Chapter 11 bankruptcy protection by HIG constitutes an adverse finding  
14 within the meaning of A.A.C. R20-6-308(A)(9).

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

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

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1 **ORDER**

2 **IT IS ORDERED** suspending the certificate of authority held by Respondent Northwestern  
3 National Casualty Company to transact new and renewal insurance business, effective immediately.

4 DATED AND EFFECTIVE this 6<sup>th</sup> day of February, 2003.

5 

6 \_\_\_\_\_  
7 CHARLES R. COHEN  
8 Director of Insurance

9 **CONSENT TO ORDER**

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

11 2. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona, and  
12 admits the foregoing Findings of Fact and consents to the entry of the foregoing Conclusions of Law and  
13 Order.

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

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

20 5. Respondent acknowledges that the acceptance of this Consent Order by the Director is  
21 solely to settle this matter against it and does not preclude any other agency, officer or subdivision of

22 ...

1 this State from instituting civil or criminal proceedings as may be appropriate now or in the future.

2 NORTHWESTERN NATIONAL  
3 CASUALTY COMPANY

4 January 27, 2003  
Date

5 Stephen L. Kibblehouse  
By: Stephen L. Kibblehouse  
Its: CEO + General Counsel

6 COPY of the foregoing mailed/hand-delivered  
7 this 7<sup>th</sup> day of February, 2003, to:

8 Stephen L. Kibblehouse  
9 President  
10 Northwestern National Casualty Company  
11 10370 Richmond Avenue  
12 Houston, TX 77042-4123

13 Office of the Commissioner of Insurance  
14 State of Wisconsin  
15 121 E. Wilson  
16 Madison, Wisconsin 53702

17 Michael E. Surguine  
18 Arizona Property and Casualty Insurance Guaranty Fund  
19 1110 W. Washington, Suite 270  
20 Phoenix, AZ 85007

21 Sara Begley, Deputy Director  
22 Steve Ferguson, Assistant Director  
23 Deloris Williamson, Assistant Director  
Paul Hogan, Market Conduct Chief Examiner  
Kurt Regner, Chief Financial Analyst  
Leslie Hess, Financial Affairs Legal Analyst  
Arizona Department of Insurance  
2910 N. 44th Street, Suite 210  
Phoenix, Arizona 85018

24 Kathy Lind

STATE OF ARIZONA  
**DEPARTMENT OF INSURANCE**  
 M E M O R A N D U M

To.....: CURVEY WALTERS BURTON (SUSPENSIONS, SUPERVISIONS)  
 From.....: FINANCIAL AFFAIRS  
 Date of Notice: 2/07/2003  
 Name.....: NORTHWESTERN NATIONAL CASUALTY COMPANY  
 DBA Name.....:  
 NAIC #.....: 23906  
 Mail 10370 RICHMOND AVENUE  
 Address.....: HOUSTON TX 77042-4123  
 Phone.....: (713)925-9555  
 Domicile.....: WISCONSIN  
 Date AZ. Lic...: 6/24/1965  
 Business Type.: FOREIGN PROPERTY & CASUALTY INSURER  
 Licensed for...: CASUALTY WITH WORKERS' COMPENSATION  
 MARINE AND TRANSPORTATION  
 PROPERTY  
 SURETY  
 VEHICLE

## Activity:

COMPANY WAS SUSPENDED

Transaction Date	Effective Date
2/07/2003	2/07/2003

## cc: CHARTER FILE

SARA BEGLEY, DEPUTY DIRECTOR  
 ARIZONA BANKING DEPARTMENT (TITLE INSURERS)  
 ARIZONA INDUSTRIAL COMMISSION (WORKERS' COMP CO'S)  
 JUNE BITTNER (\*\*ALL O.N.'S \*\*EXPEDITED DELIVERY\*\*)  
 STEVE FERGUSON, ASSISTANT DIRECTOR (ALL)  
 BUD LEINER (ONLY ACTIONS WITH 2002 EFFECTIVE DATE)  
 CONSUMER SERVICES (ALL STATUS AND NAME CHANGES)  
 TINA BARAJAS, ADOT/MVD 558M ROOM 349 (ALL CAS/VEH)  
 MICHELLE F. SMITH, ANALYST - NCCI (ALL WORK COMP)  
 PAUL HOGAN, MC CHIEF (INSURER STATUS/NAME CHANGES)  
 EXAMINATIONS COORDINATOR (DOMESTIC CO'S ONLY)  
 GUARANTY FUND; ATTN: MIKE SURGUINE (INSURERS ONLY)  
 LIFE & HEALTH DIVISION (LIFE/DISABILITY/HCSO/PPD)  
 JACK CURRY (CASUALTY INSURER STATUS/NAME CHANGES)  
 NAIC; ATTN: JENNIFER HEINZ (DOMESTIC CO.'S ONLY)  
 RATES & REGULATIONS DIVISION (P&C, TITLE INSURERS)  
 REVOLVING FUND ACCOUNTANT (ALL O.N.'S)  
 REVENUE AUDITOR (ALL O.N.'S)  
 EXAM SECTION-REPORTS (DOMESTIC NAME & STATUS CHG)  
 CYNDI WILLARD (ALL; \*\*EXPEDITE\*\* DOMESTIC ACTIONS)