

DEC 7 2010

DEPT OF INSURANCE  
BY 

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

In the Matter of:	)	
	)	<b>No. 10A-<u>180</u>-INS</b>
<b>REDWOOD FIRE &amp; CASUALTY</b>	)	
<b>INSURANCE COMPANY</b>	)	
<b>(NAIC NO. 11673)</b>	)	
	)	<b>CONSENT ORDER</b>
	)	
Respondent.	)	

The State of Arizona Department of Insurance ("Department") received evidence that **Redwood Fire & Casualty Insurance Company** violated provisions of Title 20, Arizona Revised Statutes. Respondent wishes to resolve this matter without the commencement of formal proceedings, and admits the following Findings of Fact are true and consents to entry of the following Conclusions of Law and Order.

**FINDINGS OF FACT**

1. Redwood Fire & Casualty Insurance Company ("Respondent") is a property and casualty insurer. Respondent presently holds an Arizona certificate of authority to transact workers' compensation insurance.
2. Every insurer writing workers' compensation insurance in Arizona must be a member of a rating organization. A.R.S. §20-363(D). Respondent is a member of the National Council on Compensation Insurance ("NCCI"), a licensed rating organization in Arizona. The NCCI files with the Director, on behalf of Respondent and its other member insurers a workers' compensation rating system the insurers use to determine workers' compensation premiums. Insurers must adhere to the rating organization's filed rating system. The exception to this is that an insurer may file with the Director a uniform positive

1 or negative deviation the insurer will apply to premiums produced by the rating  
2 organization's filed rating system. A.R.S. §20-359(A).

3 3. Deviations must be on file with the Director for 30 days before they become  
4 effective and are effective for a period of only one year from their effective date unless  
5 terminated sooner on the order of or with the approval of the Director.

6 4. In 2009, Respondent filed with the Director a uniform deviation of -10%  
7 pursuant to A.R.S. §20-359(A) (1). The deviation expired at midnight on December 31,  
8 2009, and Respondent did not make a filing with the Director to use a workers'  
9 compensation deviation prior to the expiration of the previous filing.

10 4. On June 30, 2010, Respondent filed to reinstate its -10% deviation with an  
11 effective date of August 1, 2010.

12 5. Respondent voluntarily disclosed that from January 1, 2010 through July 31,  
13 2010 it wrote 15 policies with a -10% deviation that was not filed with the Director. A list of  
14 the 15 referenced policies is attached as Exhibit A. Those 15 policies account for a total of  
15 \$264,465 in final premium and an undercharge to each insured.

#### 16 CONCLUSIONS OF LAW

17 1. The Director has jurisdiction over this matter.

18 2. Respondent's conduct, as alleged above, constitutes making or issuing a  
19 contract or policy except in accordance with the ratings filed on its behalf by the rating  
20 NCCI after Respondent's -10% deviation expired December 31, 2009, within the meaning  
21 of A.R.S. §20-357(E)

22 3. Grounds exist for the Director to suspend or revoke Respondent's certificate of  
23 authority and, in addition to or instead of any suspension or revocation, the Director may  
24 impose a civil penalty of not more than \$1000.00 for each unintentional failure or violation,  
25 up to an aggregate civil penalty of \$10,000.00, or a civil penalty of not more than \$5,000.00  
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1 for each intentional failure or violation, up to an aggregate penalty of \$50,000.00, within the  
2 meaning of A.R.S. §§ 20-220(A) and (B).

3 **ORDER**

4 IT IS HEREBY ORDERED THAT

5 1. Respondent shall cease and desist from applying a deviation to premiums  
6 produced by the NCCI's filed workers' compensation rating system without an effective  
7 deviation on file with the Director.

8 2. Upon renewal of the 15 policies listed in Exhibit A, Respondent shall develop  
9 the premiums of these policies in accordance with the deviation filing then on file with the  
10 Director or adhere without deviation to the NCCI rating system.

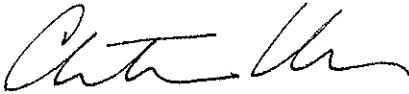
11 3. Respondent shall take all necessary steps to ensure that a procedure is in  
12 place to:

13 a) notify its personnel responsible for issuing workers' compensation policies in  
14 Arizona of the deviation expiration date to prevent policies from being rated at an expired  
15 deviation's premium levels; and

16 b) submit the required filing to the Director prior to the deviation expiration date  
17 if Respondent wishes to continue the deviation without interruption.

18 4. Respondent shall immediately pay to the Department a civil money penalty in  
19 the amount of \$1500 for deposit in the general fund.

20 DATED AND EFFECTIVE this 6<sup>th</sup> day of December, 2010.

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CHRISTINA URIAS, Director  
23 Arizona Department of Insurance  
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2 **CONSENT TO ORDER**

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

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

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

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

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

19 6. Respondent acknowledges that this Consent Order is an administrative action  
20 that the Department will report to the National Association of Insurance Commissioners  
21 (NAIC). Respondent further acknowledges that it must report this administrative action to  
22 any and all states in which it holds an insurance license and must disclose this  
23 administrative action on any license application.  
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**Arizona Workers' Compensation  
Redwood Fire and Casualty  
2010 Policies as of July 2010**

	<u>Carrier</u>	<u>Risk State</u>	<u>Policy Number</u>	<u>Insured</u>	<u>Effective Date</u>	<u>Estimated Annual Premium</u>	<u>Underlying Rate Deviation</u>
1	Redwood	AZ	AZW001249	ARLEDGE HAY COMPANY	01/01/2010	\$124,617	-10%
2	Redwood	AZ	AZW001234	CIN, INC.	02/02/2010	\$584	-10%
3	Redwood	AZ	IDW001215	COVEY AUTO EXPRESS, INC.	03/01/2010	\$1,759	-10%
4	Redwood	AZ	AZW001240	FOCUS INDUSTRIES, INC.	03/16/2010	\$514	-10%
5	Redwood	AZ	AZW001236	TOP INDUSTRIAL, INC.	03/24/2010	\$766	-10%
6	Redwood	AZ	NVV001231	TOM HOM GROUP, LLC	04/01/2010	\$7,236	-10%
7	Redwood	AZ	IDW001215	COVEY AUTO EXPRESS, INC.	04/01/2010	\$13,630	-10%
8	Redwood	AZ	AZW001255	BRIGHT INTERNATIONAL CORPORATION	04/01/2010	\$67,448	-10%
9	Redwood	AZ	AZW001235	LEONARD'S TRANSPORTATION, INC.	04/03/2010	\$19,371	-10%
10	Redwood	AZ	AZW001237	GEORGE YARDLEY CO, INC.	05/01/2010	\$4,895	-10%
11	Redwood	AZ	AZW001238	BOTTOM LINE UTILITY SOLUTIONS, INC.	05/27/2010	\$7,274	-10%
12	Redwood	AZ	AZW001257	JONES, SKELTON & HOCHULI	06/01/2010	\$22,818	-10%
13	Redwood	AZ	AZW001209	PUMPING SOLUTIONS, INC.	06/02/2010	\$373	-10%
14	Redwood	AZ	AZW001259	THE POOL AGENCY INC	06/25/2010	\$2,646	-10%
15	Redwood	AZ	AZW001211	THANK YOU PLANTS, INC.	07/01/2010	\$534	-10%
						\$264,465	