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INSURANCE DEPARTMENT
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
AMERICAN TRANSINSURANCE	:	Sections 611-A(2), (20) and
GROUP, INC.	:	695-A of Act 147 of 2002
150 East Pennsylvania Avenue	:	(40 P.S. §§ 310.11)
Suite 127	:	
Downingtown, PA 19335	:	Section 5(a)(2) of the Unfair
	:	Insurance Practices Act, Act of
	:	July 22, 1974, P.L. 589, No. 284
	:	(40 P.S. § 1171.5)
	:	
Respondent.	:	Docket No. CO04-11-026

CONSENT ORDER

AND NOW, this *12th* day of *April*, 2005, this Order is hereby issued by the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order, and the Findings of Fact and Conclusions of Law contained herein, shall have the full force and effect of an Order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Deputy Insurance Commissioner finds true and correct each of the following Findings of Fact:

- (a) Respondent is American Transinsurance Group, Incorporated, and maintains its address at 150 East Pennsylvania Avenue, Suite 127, Downingtown, Pennsylvania 19335.
- (b) At all relevant times herein, Respondent was licensed as a resident producer agency.
- (c) Respondent is a wholly-owned subsidiary of Quality Distribution, Incorporated, 3802 Corporex Park Drive, Tampa, Florida.

- (d) On or about June 1, 2003 through to approximately November 16, 2003, Respondent acted as an insurer by receiving premiums from insureds, failing to remit the premiums to an insurance carrier, paid claims from premiums collected and issued certificates of insurance where no insurance was in force.
- (e) Respondent failed to notify Quality Distribution, Incorporated, that business insurance coverages did not renew.
- (f) The types of insurance involved were commercial auto and general liability, workers compensation, occupational accident coverage, business owner's protection program consisting of a combination of commercial auto and property coverage, and term life insurance.
- (g) The following states were identified as those that generated premiums of at least \$200,000 during the period where no insurance was in effect:
Pennsylvania, New York, New Jersey, Delaware, Ohio, Illinois, Florida, Georgia, Virginia, North Carolina, Texas, Louisiana, Kentucky, Tennessee, Virginia and California.
- (h) During October of 2003, Theresa Zelinski, Respondent's qualifying active officer, suspected insurance coverage was not in place and contacted Quality Distribution, Inc.

- (i) Quality Distribution, Inc. immediately discovered that Diane Hettinger, Respondent's Vice President, Chief Operating Officer, a non-licensee of the Insurance Department, had attempted to place coverage but failed to do so and tried to cover up the problem.
- (j) Hettinger was discharged by Quality Distribution, Inc. on or about October 22, 2003.
- (k) As a result of the findings, Respondent informed the departments listed in paragraph (g) of their findings with assurances that Quality Distribution, Inc. and/or Respondent would resolve outstanding claims and assist insureds in obtaining coverages.
- (l) Respondent states it has paid claims of approximately \$7,000,000.00 and set aside reserves of approximately \$8,000,000.00.
- (m) Respondent has placed insurance coverage where applicable or insureds have obtained coverage on their own.

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Deputy Insurance Commissioner concludes and finds the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Section 611-A(2) of Act 147 of 2002 prohibits a licensee from violating the laws or regulations of this Commonwealth or a subpoena or order of the commissioner or of another state's insurance commissioner (40 P.S. § 310.11).
- (c) Respondent's activities described above in paragraphs 3(c) through 3(m) violates Section 611-A(2) of Act 147 of 2002.
- (d) Section 611-A(20) of Act 147 of 2002 prohibits a licensee from demonstrating a lack of general fitness, competence or reliability sufficient to satisfy the department that the licensee is worthy of licensure (40 P.S. § 310.11).
- (e) Respondent's activities described above in paragraphs 3(c) through 3(m) violates Section 611-A(20) of Act 147 of 2002.

(f) Respondent's violations of Section 611-A(2) and (20) of Act 147 of 2002 are punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):

- (i) suspension, revocation or refusal to issue the certificate of qualification or license;
- (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for each violation of the Act;
- (iii) an order to cease and desist; and
- (iv) any other conditions as the Commissioner deems appropriate.

(g) Section 695-A of Act 147 of 2002 holds an insurance agent personally liable on all contracts of insurance made through any company not authorized to do business in this Commonwealth (40 P.S. § 310.95).

(h) Respondent's activities described above in paragraphs 3(c) through 3(m) constitute transacting insurance business within this Commonwealth through a company not authorized to do business and violate Section 695-A of Act 147 of 2002.

(i) Respondent's violation of Section 695-A of Act 147 of 2002 makes the insurance agent personally liable for all contracts issued through the unauthorized company.

(j) Section 5(a)(2) of the Unfair Insurance Practices Act prohibits persons from making, issuing, publishing or circulating in any manner an advertisement, announcement or statement containing any representation or statement with respect to the business of insurance or with respect to any person in the conduct of his insurance business which is untrue, deceptive or misleading.

(k) Respondent's activities described above in paragraphs 3(c) through 3(m) constitute making, issuing, publishing or circulating in any manner an advertisement, announcement or statement containing any representation or statement with respect to the business of insurance or with respect to any person in the conduct of his insurance business which is untrue, deceptive or misleading and violate Section 5(a)(2) of the Unfair Insurance Practices Act.

(l) Respondent's violations of Section 5(a)(2) of the Unfair Insurance Practices Act are punishable by the following, under Sections 8, 9, and 11 of the Act (40 P.S. §§ 1171.8, 1171.9, and 1171.11):

(i) order requiring Respondent to cease and desist from engaging in such violation and/or, if such violation is a method of competition, act or practice defined in Section 5 of this Act, suspension or revocation of Respondent's license(s);

(ii) commencement of an action against Respondent for the following civil penalties:

- (1) for each method of competition, act or practice defined in Section 5 and in violation of the Act which Respondent knew or reasonably should have known was such a violation, a penalty of not more than five thousand dollars (\$5,000.00) for each violation, not to exceed an aggregate penalty of fifty thousand dollars (\$50,000.00) in any six month period;
- (2) for each method of competition, act or practice defined in Section 5 and in violation of this Act which Respondent did not know nor reasonably should have known was such a violation, a penalty of not more than one thousand dollars (\$1,000.00) for each violation, not to exceed an aggregate penalty of ten thousand dollars (\$10,000.00) in any six month period;
- (3) for each violation of an Order issued by the Commissioner pursuant to Section 9 of the Act, while such Order is in effect, a penalty of not more than ten thousand dollars (\$10,000.00).

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Deputy Insurance Commissioner orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall continue to process claims that occurred during the period when it acted as an insurer, until all filed claims are closed.

6. In the event the Deputy Insurance Commissioner finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein, the Department may pursue any and all legal remedies available, including but not limited to the following: The Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law; or, if applicable, the Department may enforce the provisions of this Order in any other court of law or equity having jurisdiction.

7. Alternatively, in the event the Deputy Commissioner finds that there has been a breach of any of the provisions of this Order, the Deputy Commissioner may declare

this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

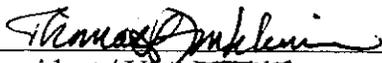
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Deputy Insurance Commissioner. Only the Insurance Commissioner or the duly authorized Deputy Insurance Commissioner is authorized to bind the Insurance Department with respect to the settlement of the alleged violation of law contained herein, and this Consent

Order is not effective until executed by the Insurance Commissioner or the duly authorized Deputy Insurance Commissioner.

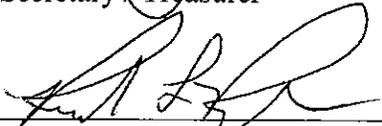
BY: AMERICAN TRANSINSURANCE
GROUP, INC., Respondent



President / ~~Vice President~~



Secretary / ~~Treasurer~~



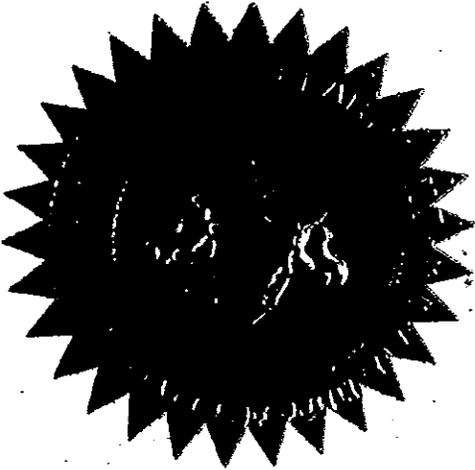
RANDOLPH L. ROHRBAUGH
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

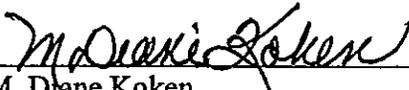
BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: The Act of April 9, 1929, P.L. 177, No. 175, known as The
Administrative Code of 1929

AND NOW, this 29 day of April, 2002, Randolph L.

Rohrbaugh, Deputy Insurance Commissioner, is hereby designated as the
Commissioner's duly authorized representative for purposes of entering in and executing
Consent Orders. This delegation of authority shall continue in effect until otherwise
terminated by a later Order of the Insurance Commissioner.





M. Diane Koken
Insurance Commissioner