

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE  
FOR THE STATE OF TENNESSEE**

<b>TENNESSEE INSURANCE DIVISION,</b>	)	
	)	
<b>Petitioner,</b>	)	
	)	
<b>vs.</b>	)	<b>TID No.: 20-143</b>
	)	
<b>BEDIVERE INSURANCE COMPANY</b>	)	
	)	
<b>Respondent.</b>	)	
	)	

---

**CONSENT ORDER**

---

**WHEREAS,** Petitioner, the Tennessee Insurance Division (“Division”) of the Tennessee Department of Commerce and Insurance (“Department”), and Bedivere Insurance Company (“Respondent”), hereby stipulate and agree, subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”), as follows.

**GENERAL STIPULATIONS**

1. It is expressly understood that this Consent Order is subject to the Commissioner’s acceptance and has no force and effect until such acceptance is evidenced by the entry and execution of the Commissioner.
2. This Consent Order is executed by the Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.
3. The Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts or omissions not

specifically addressed in this Consent Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. The Respondent fully understands that this Consent Order will in no way preclude proceedings by state government representatives, other than the Commissioner, for violations of the law addressed specifically in this Consent Order, against the Respondent for violations of law under statutes, rules, or regulations of the State of Tennessee which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Consent Order by the Respondent.

5. The Respondent expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of this Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry and execution of said Consent Order by the Commissioner.

#### **AUTHORITY AND JURISDICTION**

6. The Commissioner has jurisdiction over this matter pursuant to Title 56 of the Tennessee Code Annotated (“Tenn. Code Ann.”), specifically Tenn. Code Ann. §§ 56-1-101 *et seq.*, 56-1-202, 56-1-401 *et seq.*, 56-2-101, and 56-2-305 (the “Law”). The Law places on the Commissioner the responsibility of its provisions.

#### **PARTIES**

7. The Division is the lawful agent through which the Commissioner administers the Tennessee insurance law and is authorized to bring this action for the protection of the public.

8. The Respondent is an insurance company domiciled in the State of Pennsylvania and has a certificate of authority with the Division to sell property and casualty insurance in the



State of Tennessee. The Respondent's address presently on file with the Division is: 1880 JFK Boulevard, Suite 801, Philadelphia, Pennsylvania 19103.

### **FINDINGS OF FACT**

9. The Respondent is domiciled in Pennsylvania but has received a certificate of authority to write and sell property and casualty insurance in Tennessee.

10. The Respondent is part of an interrelated group of run-off property and casualty insurance companies which were sold to Trebuchet U.S. Holdings, Inc. In addition to the Respondent, the members of the group are: Lamorak Insurance Company ("LIC"), the Employers' Fire Insurance Company ("EFIC"), and Potomac Insurance Company ("PIC"). All companies ceased underwriting business in 2010.

11. On December 23, 2014, all companies in the group were sold by OneBeacon Insurance Group, LLC to Trebuchet U.S. Holdings, Inc. and entered into a Management Service Agreement with Armour Risk Management, Inc., a fully owned subsidiary of Armour Group Limited. As part of the approval from the Pennsylvania Department of Insurance ("PDI"), certain restrictions and conditions have been placed on the companies including writing new business, maintaining and acquiring only those assets, and classes of assets shown in the Towers Stochastic Model.

12. The PDI finalized its 2016 examination of the Respondent in May of 2018. The PDI did not find any adverse material; however, it recommended in the management letter that the Respondent continue to monitor the Asbestos and Environmental reserves.

13. As of December 31, 2019, the Respondent had seven (7) ratios outside the established acceptable National Association of Insurance Commissioners – Insurance Regulatory Information System (IRIS) ranges. These ratios include: Two-year Overall Operating Ratio; Gross Change in Policyholders Surplus; Change in Adjusted Policyholder Surplus; Adjusted Liabilities

to Liquid Assets; Gross Agent Balances (in Collection) to Policyholder Surplus; One-Year Reserve Development to Policyholders Surplus; and Two-year Reserve Development to Policyholders Surplus.

14. The Respondent had a risk-based capital (RBC) ratio of fifty-one and sixth tenths percent (51.6%) as of December 31, 2019, which triggers the mandatory control level.

15. In the 2019 actuarial opinion, it is noted that the Respondent made inadequate provisions for unpaid loss and loss adjustment expenses obligations by forty-seven million dollars (\$47,000,000).

16. This Consent Order is in the public interest and in the best interests of the parties.

#### **CONCLUSIONS OF LAW**

17. Tenn. Code Ann. § 56-1-416 provides that the Commissioner shall revoke or suspend all certificates of authority granted to an insurance company if the Commissioner is of the opinion, upon examination or other evidence, that a foreign insurance company is in an unsound condition and, upon such a finding, no new business shall be done by the company or its agents under suspension or revocation while such default or disability continues and not until its authority to do business is restored by the Commissioner.

18. Tenn. Comp. R. & Regs. 0780-01-66-.03(1) provides that the Commissioner may consider “[a]dverse findings reported in financial condition and market conduct examination reports, audit reports, and actuarial opinions, reports or summaries” in determining whether an insurance company transacting business in this state is in a hazardous financial condition.

19. Tenn. Comp. R. & Regs. 780-01-66-.03(2) provides that the Commissioner may consider “[t]he National Association of Insurance Commissioners Insurance Regulatory Information System and its other financial analysis solvency tools and reports” in determining



whether an insurance company transacting business in this state is in a hazardous financial condition.

20. Tenn. Comp. R. & Regs. 0780-01-66-.03(3) provides that the Commissioner may consider “[w]hether the insurer has made adequate provision, according to presently accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the insurer, when considered in light of the assets held by the insurer with respect to such reserves and related actuarial items including, but not limited to, the investment earnings on such assets, and the considerations anticipated to be received and retained under such policies and contracts” in determining whether an insurance company transacting business in this state is in a hazardous financial condition.

21. Tenn. Comp. R. & Regs. 0780-01-66-.03(5) provides that the Commissioner may consider “[w]hether the insurer’s operating loss in the last twelve-month period . . . is greater than fifty percent (50%) of the insurer’s remaining surplus . . . ” in determining whether an insurance company transacting business in this state is in a hazardous financial condition.

22. Tenn. Comp. R. & Regs. 0780-01-66-.03(6) provides that the Commissioner may consider “[w]hether the insurer’s operating loss in the last twelve-month period . . . excluding net capital gains, is greater than twenty percent (20%) of the insurer’s remaining surplus . . . ” in determining whether an insurance company transacting business in this state is in a hazardous financial condition.

### **ORDER**

**NOW, THEREFORE**, on the basis of the foregoing and the Respondent’s waiver of the right to a hearing and appeal under Tennessee insurance law and Tennessee’s Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 *et seq.*, and the Respondent’s admission of jurisdiction of the Commissioner, the Commissioner finds that the Respondent, for

the purpose of settling this matter, admits the Findings of Fact and Conclusions of Law, agrees to the entry and execution of this Consent Order, and agrees that this Consent Order is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Law.

**IT IS ORDERED**, pursuant to Tenn. Code Ann. § 56-1-416, that:

1. The Respondent's certificate of authority is **SUSPENDED**.
2. The Respondent is required to obtain written approval from the Division before it issues or assumes any insurance business related to Tennessee consumers or insurance companies that may have an impact on Tennessee consumers or insurance companies.
3. The Respondent shall have two (2) years to demonstrate sound financial condition to the Commissioner. If the Respondent has not shown sound financial condition to the Commissioner within two (2) years from the date of this Consent Order, unless the Commissioner has extended the no-writing period at the reasonable request of the Respondent, the Respondent waives all rights to notice and a hearing under Tenn. Code Ann. §§ 4-5-301 *et seq.*, and the Respondent's certificate of authority shall be automatically **REVOKED** without further action by the Commissioner or the Division.
4. The Respondent shall continue to pay fees, licensure, and taxes as required by law, and to service existing policyholders and adjust losses.
5. The Respondent shall continue to file financial statements and other information that are required of a licensed insurance company in Tennessee.
6. Prior to any reinstatement of its license, the Respondent shall pay any and all penalties accrued as a result of late or missed filings required to maintain an active license.



7. The Respondent is required to abide by all previous orders of the PID. The Respondent shall promptly notify the Division within three (3) days of any new order or directive issued by, or on behalf of, the PID or any other regulator.

8. The Respondent is required to notify the Division within three (3) days of any change in its governing board or any trustees that are or may be appointed to supervise the Respondent.


9. This Consent Order is in the public interest and in the best interests of the parties. This Consent Order represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signature affixed below, the Respondent affirmatively states that it has freely agreed to the entry and execution of this Consent Order, that it has been advised that it may consult legal counsel in this matter and has had the opportunity to consult with legal counsel, that it waives its right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

10. Nothing in this Consent Order should be construed to limit the authority of the Division or the Commissioner to take further action against the Respondent for actions not contemplated herein should such action, in the opinion of the Division or the Commissioner, be necessary.


11. This Consent Order may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document.


The facsimile, email, or other electronically delivered signatures of the parties shall be deemed to constitute original signatures, and facsimile or electronic copies shall be deemed to constitute duplicate originals.

September  
ENTERED AND EXECUTED [REDACTED] 3, 2020.

  
Hodgen Mainda (Sep 3, 2020 08:10 CDT)  
Hodgen Mainda, Commissioner  
Department of Commerce and Insurance

**APPROVED FOR ENTRY:**

  
J. Marcus Doran  
President  
Bedivere Insurance Company

  
Rachel Jade-Rice (Sep 1, 2020 14:11 CDT)  
Rachel Jade-Rice  
Assistant Commissioner for Insurance  
Department of Commerce and Insurance

*Nikita Hampton*  
Nikita Hampton BPR # 33327  
Associate General Counsel  
500 James Robertson Parkway  
Davy Crockett Tower  
Nashville, TN 37243  
(615) 313-3163  
Nikita.g.hampton@tn.gov