

STATE OF NORTH DAKOTA  
BEFORE THE INSURANCE COMMISSIONER

In the Matter of	)	
	)	
California Casualty Indemnity	)	CONSENT ORDER
Exchange,	)	
FEIN 94-6064430,	)	FILE NO. CO-13-420
	)	
Respondent.	)	

**TO: James R. Englese, Senior Vice President & General Counsel, California Casualty Indemnity Exchange, 1900 Alameda de las Pulgas, San Mateo, CA 94403-1298**

Insurance Commissioner Adam Hamm, hereinafter "Commissioner", has determined as follows:

1. The Commissioner has authority in this matter pursuant to N.D.C.C. § 26.1-01-03.
2. California Casualty Indemnity Exchange, FEIN 94-6064430 ("Respondent"), is an insurance company that provides property and casualty insurance, is licensed under N.D.C.C. ch. 26.1-11 as a foreign corporation, and has been duly authorized to do business in North Dakota since November 10, 1999.
3. The Commissioner has jurisdiction over the Respondent and the subject matter of this Consent Order, and this Consent Order is made in the public interest.
4. On or about February 25, 2013, staff of the North Dakota Insurance Department ("Department") received multiple copies of a mailer that was sent to North Dakota residents by California Casualty Indemnity Exchange. The mailer contained a promotion designed to sell automobile insurance coverage by offering a free \$50 gas card in exchange for obtaining an automobile insurance quote.

5. The mailer states, in part, "call for your auto quote today and receive a FREE \$50.00 gas card!"

6. Respondent delivered eight gas card gifts to North Dakota residents due to the promotion and Respondent ended the promotion on August 7, 2013, after receiving notification from the North Dakota Insurance Department that this practice violated North Dakota law.

7. N.D.C.C. § 26.1-25-16 prohibits the offering of any valuable consideration or inducement to purchase insurance by an insurer, except to the extent provided for in an applicable filing:

No insurer or employee of an insurer, and no broker or agent may pay, allow, or give, or offer to pay, allow, or give, directly or indirectly, as an inducement to insurance, or after insurance has been effected, any rebate, discount, abatement, credit, or reduction of the premium named in an insurance policy, or any special favor or advantage in the dividends or other benefits to accrue on the policy, or any valuable consideration or inducement whatever, not specified in the insurance policy, except to the extent provided for in applicable filing....

8. Likewise, N.D.C.C. § 26.1-04-03(8)(a) prohibits the offering of any valuable consideration or inducement to purchase insurance by an insurer:

The following are unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:

...

8. a. Rebates. Except as otherwise expressly provided by law, knowingly permitting or offering to make or making any contract of life insurance, life annuity, or accident and health insurance, or agreement as to such contract other than as plainly expressed in the contract issued thereon, or paying or allowing, or giving or offering to pay, allow, or give, directly or indirectly, as inducement to the insurance or annuity any rebate of

premiums payable on the contract, or any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration or inducement whatsoever not specified in the contract, or giving, selling, or purchasing, or offering to give, sell, or purchase as inducement to the insurance or annuity or in connection therewith, any stocks, bonds, or other securities of any insurance company or other corporation, association, or partnership, or any dividends or profits accrued thereon, or anything of value whatsoever not specified in the contract.

9. N.D.C.C. §§ 26.1-25-16 and 26.1-04-03(8)(c) further bar an insurance producer from giving a gift or promotional article that is conditioned on obtaining an insurance quote.

10. Respondent's conduct in making the free gas card offer and in giving the free gas cards in exchange for obtaining a quote is a violation of N.D.C.C. §§ 26.1-25-16 and 26.1-04-03(8)(c).

11. The aforementioned violation of state law constitutes grounds upon which Respondent's Certificate of Authority may be revoked pursuant to N.D.C.C. § 26.1-11-08(2).

12. Respondent may be subjected to an administrative penalty pursuant to N.D.C.C. § 26.1-01-03.3.

13. Respondent has been duly apprised of all allegations.

14. Respondent and the Commissioner have agreed to an informal disposition of this matter without entry of a Cease and Desist Order by the Commissioner or other further administrative proceedings, as provided by N.D.C.C. § 28-32-22, and enter into the following Consent Order.

NOW, PURSUANT TO THE AGREEMENT OF THE PARTIES, IT IS HEREBY ORDERED THAT:

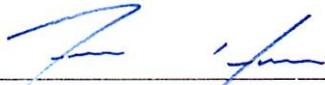
1. Respondent agrees to comply with the prohibition against giving of a gift, prize, promotion article, logo merchandise, meal, or entertainment activity conditioned on obtaining a quote for insurance.

2. Respondent agrees that future offers, promotions, advertisements and the like that offer a gift in exchange for obtaining a quote communicated to residents of North Dakota will list North Dakota as a state where the offer is not available.

3. Respondent shall pay an administrative penalty in the amount of \$800 (\$100 per violation) to the State of North Dakota within 15 business days of the execution of this Order. Payment must be sent to: North Dakota Insurance Department, 600 East Boulevard Avenue, Dept. 401, Bismarck, ND 58505.

4. The use of this Consent Order for competitive purposes by an insurance producer or agency holding a license in the State of North Dakota, or by any company holding a Certificate of Authority, or by anyone on their behalf, may be deemed unfair competition and be grounds for suspension or revocation of the license or authority.

DATED this 9 day of October, 2013.

  
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Adam Hamm  
Commissioner  
N.D. Insurance Department

#### CONSENT TO ENTRY OF ORDER

The undersigned, James R. Engleze, on behalf of **California Casualty Indemnity Exchange (the Company)**, states that the undersigned has read the foregoing Consent Order and is authorized by the Company to consent to the entry

of this order. The undersigned, on behalf of the Company, fully understands the contents and effect of the Consent Order. The Company has been advised of its right to be represented by legal counsel, to request a hearing in this matter, to present evidence and arguments to the Commissioner, and of its right to appeal from an adverse determination after hearing. By the signing of this Consent to Entry of Order the undersigned on behalf of the Company waives those rights in their entirety and consents to the entry of this Consent Order by the Insurance Commissioner and agrees to be bound by it. It is further expressly understood that this Consent Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either express or implied.

DATED this 20th day of September, 2013.

California Casualty Indemnity Exchange

By: James R. Engle  
Print Name: James R Engle  
Title: SVP & General Counsel

Subscribed and sworn to before me

this 20 day of September, 2013.

Mary L Beckham  
Notary Public

State of California  
County of San Mateo

My Commission Expires: 5/25/16

