

**STATE OF VERMONT
DEPARTMENT OF BANKING, INSURANCE, SECURITIES
& HEALTH CARE ADMINISTRATION**

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In re: Liberty Mutual Insurance)	DOCKET NO. 05-016-I
Company)	
NAIC ID # 23043)	
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)	

CONSENT ORDER

1. Pursuant to the authority contained in Vermont law, including, but not limited to, 8 V.S.A. §§ 10-13, 3564-3566, 3573-3574, 3661, 4726, 4804, and 4813-4813o, the Commissioner of the Vermont Department of Banking, Insurance, Securities and Health Care Administration (the “Department”) is charged with administering and enforcing the insurance laws and regulations of the State of Vermont and is authorized to conduct examinations of insurers and licensees to determine whether they are in compliance with said laws and regulations.

2. Liberty Mutual Insurance Company (the “Company”) is authorized to transact business in the State of Vermont.

3. On or about March 4, 2001 a market conduct examination of the Company was completed. The examination detailed violations of Vermont’s adjuster licensing laws. The Company paid a \$70,000 administrative penalty as a result of the examiners findings detailed in the March 4, 2001 report.

4. On or about January 8, 2004, a draft market conduct examination report was submitted to the Department. This draft report detailed the examiner's findings of his examination of Company adjuster licensing compliance from January 1, 2001 through December 31, 2002.

5. The draft examination report discovered violations of Vermont's adjusters licensing laws by the Company. The Company disputes the findings contained in the draft report.

6. Pursuant to 8 V.S.A. § 3573(c), the Commissioner may terminate or suspend an examination in order to pursue other regulatory action. In light of certain limitations contained in the draft examination report and the Department and Company resources that would be required to rectify those limitations, and further in light of the Company's cooperation with the Department to address the substantive findings of the examiner, the Commissioner elects to terminate the present market conduct examination of Liberty Mutual.

7. In consideration of the mutual covenants contained herein, and in light of operational changes that occurred at the Company since the conclusion of the examination period of December 31, 2002, the Company agrees to develop and implement a Compliance Program to ensure the Company is in compliance with Vermont adjuster licensing laws. Such Compliance Program shall include, but not be limited to, the following:

- a. The Compliance Program shall provide for a review of Vermont claims based on the following:

- i. For the offices that adjust commercial general liability, commercial automobile losses for the Company's national insureds and all commercial first party property losses, the Company shall review on a quarterly basis all claims that occurred in Vermont to ensure compliance with Vermont's adjuster licensing laws.
 - ii. For offices that adjust commercial general liability and commercial auto losses the Company shall conduct a semi-annual sampling of claims that occurred in Vermont to ensure compliance with Vermont's adjuster licensing laws.
 - iii. For offices that adjust other types of claims, the Company shall conduct an annual sampling of claims that occurred in Vermont to ensure compliance with Vermont adjuster licensing laws.
 - iv. The Company shall provide notice to all offices that adjust Vermont claims on a regular basis that the Company will be conducting such sampling and that discovered violations may result in reprimand and notification to the Department.
- b. The Compliance Program shall detail what immediate corrective action or actions the Company shall take if non-compliance with Vermont adjuster licensing laws is discovered. These corrective actions shall be in addition to, and not in replace of, those actions contemplated in this Consent Order upon the discovery of non-compliance.
- c. This Compliance Program shall be required to be in full force and effect for at least three years following the date of this Consent Order. Nothing

in this Paragraph shall be construed to mean that the Company is not required to comply with Vermont law after the expiration of this Consent Order.

- d. The Compliance Program shall be submitted to the Department for review and approval within 90 days of the date of execution of this Order.

8. The Company shall retain records pertaining to the Compliance Program for four years from the date of this Order so that the Department may meaningfully review the Company's adherence to the Compliance Program. The record retention obligations imposed by this Paragraph are in addition to, and not in replacement of, those imposed by Vermont Regulation 99-1.

9. The Company shall pay an administrative penalty of \$50,000. The Company agrees that if the Department discovers the Company is failing to follow its Compliance Program or is failing to substantially comply with Vermont's adjuster licensing laws in the three years from the date of this Order, the Company shall pay an additional administrative penalty of \$100,000. Such compliance assessment shall not include claims involving exclusively glass or towing coverages. The Company shall have a right to a hearing on the Department's factual findings regarding non-compliance before any penalty is imposed. However, if such finding of non-compliance is upheld, the Company expressly agrees to pay the additional administrative penalty of \$100,000.

10. If the Company discovers violations of the adjuster licensing laws or its Compliance Program and brings such findings to the Department's attention within one month of such discovery, the automatic enhanced penalty described in Paragraph 9 above shall not apply. However, nothing in this Paragraph shall be construed to mean that no

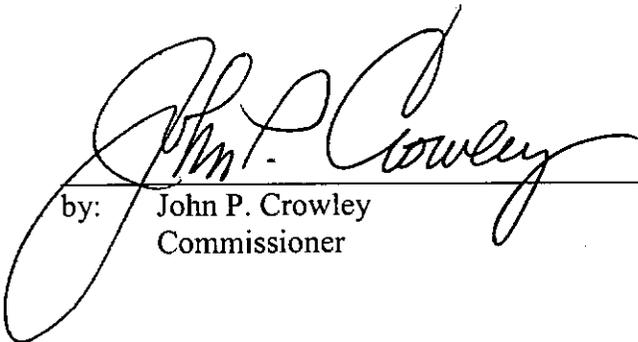
penalty will apply for such violations. The Department acknowledges, however, that voluntary disclosure of compliance problems shall be considered a mitigating factor in any penalty sought by the Department.

11. Nothing in this Consent Order shall be construed to preclude the Department from examining the Company regarding adjuster licensing or other issues or exercising any other regulatory authority.

12. Nothing in this Consent Order shall be construed as an admission of guilt or liability by the Company for any purpose other than those specifically set forth herein.

It is so ORDERED, this 20th day of May, 2005

Vermont Department of Banking, Insurance
Securities & Health Care Administration


by: John P. Crowley
Commissioner

INSURERS CONSENT

Liberty Mutual Insurance Company, NAIC # 23043, hereby consents to the contents and terms of this Consent Order and to all representations made herein. The person executing this Consent Order on behalf of Liberty Mutual Insurance Company is an officer and has the power to bind the company to the terms of this Consent Order. After

careful consideration, Liberty Mutual has chosen to execute this Consent Order
knowingly and voluntarily.

Hector D. Reyes
Signature

5-10-2005
Date

Hector D. Reyes
Print Name

Director of Insurance Regulations
Title