

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

IN RE: LIBERTY MUTUAL
GROUP¹

)
)
)
)
)

DOCKET NO. 10-096-I

SETTLEMENT AGREEMENT AND CONSENT ORDER

JURISDICTION

RECITALS AND TERMS OF SETTLEMENT

1. The Department is currently conducting market conduct examinations of Respondent covering the period of January 1, 2004 through April 30, 2007 for Liberty Mutual Insurance Company and the period of January 1, 2005 through December 31, 2008 for the remaining Liberty Mutual companies.

2. The Department and Liberty Mutual Insurance Company are parties in an administrative contested case, BISHCA Docket No. 09-001-I, currently pending at the Department.

3. The Department and Respondent are parties to an Order to Show Cause Hearing, BISHCA Docket No. 09-096-I, in which the Commissioner has issued a final decision and there remains an outstanding administrative penalty.

¹ The term "Liberty Mutual Group" refers to Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company, Liberty Insurance Corporation, LM Insurance Corporation, The First Liberty Insurance Corporation, Peerless Insurance Company, Peerless Indemnity Company, Netherlands Insurance Company, Excelsior Insurance Company, General Insurance Company of America, Safeco Insurance Company of America, American States Insurance Company, American Economy Insurance Company, First National Insurance Company of America, The Ohio Casualty Insurance Company, Employers Insurance Company of Wausau, Wausau Business Insurance Company, and Wausau Underwriters Insurance Company .

4. The Commissioner, pursuant to 8 V.S.A. § 3573(c), may terminate or suspend an examination in order to pursue other regulatory action. The Commissioner, as a result of the Respondent's cooperation with the Department to address the substantive findings of the examiners, elects to terminate the present market conduct examinations of Respondent.

5. The Department and Respondent have agreed to resolve the issues raised by the present market conduct examinations by entering into this Consent Order on the terms and conditions hereinafter set forth in lieu of proceeding through the administrative process.

6. Respondent has agreed to satisfy the outstanding administrative penalty and order issued by the Commissioner in BISHCA Docket No. 09-096-I.

7. The Department and Respondent have agreed to resolve any and all outstanding issues in administrative contested case BISHCA Docket No. 09-001-I by entering into this Consent Order on the terms and conditions hereinafter set forth in lieu of continuing the proceeding through the administrative process.

8. By entering into this Settlement Agreement and Consent Order ("Consent Order") on the terms and conditions hereinafter set forth, Respondent and the Department agree to resolve: (a) all matters relating to the market conduct examinations referred to above, including all claims of violations of laws, rules, regulations, or orders of the Commissioner made by the Department against Respondent with respect to the areas examined in such market conduct examinations for the applicable examination periods; (b) BISHCA Docket No. 09-001-I and (c) BISHCA Docket No. 09-096-I.

9. Notwithstanding paragraph 8 above, it is agreed that the Department retains any rights it has to respond to and address any consumer complaint that may be made with regard to a transaction in insurance, as defined in 8 V.S.A. § 3301a, during the examination periods. This includes the right to pursue any remedy authorized by law in response to such consumer complaint. Respondent retains the right to assert any factual or legal defenses that it may have to any such complaint, or any claim or action asserted by the Department relating to such complaint.

10. Respondent expressly denies any wrongdoing with regard to any issues raised by the market conduct examinations and Docket 09-001-I and does not admit or concede any actual or potential violation, fault, wrongdoing, or liability in connection with any facts or claims, which have been or could have been alleged against it by the Department as a result of the market conduct examinations and Docket 09-001-I.

ORDER

NOW, THEREFORE, IT IS HERBY ORDERED THAT:

- A. Respondent shall pay an administrative penalty in the amount of One Hundred Ninety Nine Thousand Four Hundred Sixty-Six dollars (\$199,466.00) within ten (10) days of the signing of this order.

- B. The Company shall pay the Department's reasonable costs and expenses incurred as a result of the investigations and administrative proceedings mentioned in this Settlement Agreement, pursuant to 8 V.S.A. § 18 in the amount of Thirty Five Thousand Five Hundred Thirty Four Dollars (\$35,534.00). Payment shall be made no later than 10 days after the execution of this Consent Order. The Department's reasonable costs and expenses do not include the cost of retaining and supervising the examiners, which will be borne by the Respondent pursuant to 8 V.S.A. § 3573 and separately billed.
- C. Respondent shall adjust motor vehicle total loss claims and shall handle all types of claims and claim settlements in Vermont in accordance with Department Regulation 79-2, titled Fair Claims Practices (Agents, Adjusters, etc.). Within 30 days of the date of this Consent Order, the Respondent shall submit to the Department for approval a written description or plan of the method it will use to adjust motor vehicle total loss damage claims so that Respondent is adjusting these claims in accordance with Regulation 79-2. In addition, Respondent shall submit to the Department for approval a plan for claim handling that shall include training for appropriate personnel, monitoring /supervision of identified areas, a procedure for documenting the implementation of the various parts of the plan and a procedure for reporting the progress of implementation of these parts of the plan to the Department.
- D. Within 30 days of the date of this Consent Order the Respondent and Department shall confirm a plan addressing appraisals or estimates prepared for motor vehicles by shops participating in the Total Liberty Care Program and the Liberty Mutual Agency Markets PACE program.
- E. Failure to adhere to or comply with, any of the terms of this Consent Order any provisions of any approved plan submitted pursuant to this Consent Order or any conditions imposed on any approved plan submitted pursuant to this Consent Order shall constitute a violation of the insurance laws of the State of Vermont and shall subject Respondent to administrative action or sanctions as the Commissioner deems appropriate. The Department shall retain jurisdiction over this matter for the purposes of enabling the Department to enforce this Consent Order.

Dated at Montpelier, Vermont this 14th day of October 2010.

**VERMONT DEPARTMENT OF BANKING,
INSURANCE, SECURITIES AND HEALTH
CARE ADMINISTRATION**

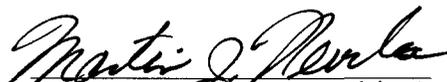


**Michael S. Bertrand
Commissioner**

RESPONDENT'S CONSENT

1. Respondent hereby admits the jurisdiction of the Vermont Commissioner of Banking, Insurance, Securities and Health Care Administration ("Commissioner") over the subject matter of the Consent Order, Docket No. 10-0__-I ("Consent Order"), and that the Commissioner retains jurisdiction over this matter for the purpose of enforcing this Consent Order, including the approving, disapproving, or approving with conditions, of any plan that this Consent Order requires the Respondent to submit to the Department.
2. Respondent knowingly, voluntarily, and unconditionally waives any and all rights to a hearing before the Commissioner or the Commissioner's designee and all other procedures otherwise available under Vermont law with respect to the entry of the Consent Order. Respondent also knowingly, voluntarily, and unconditionally waives compliance with the provisions of 3 V.S.A. Chapter 25 regarding contested cases. Respondent acknowledges that, upon execution by the Commissioner, the Consent Order constitutes a valid order duly rendered by the Commissioner.
3. Respondent knowingly, voluntarily, and unconditionally waives any right it may have to judicial or administrative review by way of suit, appeal, or extraordinary remedy resulting from the issuance of the Consent Order.
4. Respondent acknowledges and agrees that it consents to the entry of the Consent Order knowingly, voluntarily, and unconditionally and that no promise was made, nor was any coercion used, to induce Respondent to give such consent.
5. Without admitting any of the allegations and or assertions of law stated in the Consent Order (other than as to the jurisdiction of the Commissioner over the Respondent and over the subject matter of such Consent Order and the retention of jurisdiction for the purpose of enforcing this Consent Order), Respondent acknowledges its understanding of and agrees to all terms, conditions, and obligations contained in the Consent Order.
6. The undersigned representative of Respondent affirms that he or she has taken all necessary steps to obtain the authority to bind Respondent to the obligations stated herein and has the authority to bind Respondent to the obligations stated herein.

LIBERTY MUTUAL GROUP

By: 
MARTIN J. NEVALA

Date: 9/30/10

Title: A.V.P. & SR. CORPORATE COUNSEL
OFFICE OF CORPORATE COMPLIANCE
LIBERTY MUTUAL GROUP

STATE OF _____

COUNTY OF _____

On the ____ day of _____ 2010, personally appeared _____, as authorized representative of Liberty Mutual Group, who states that the execution of the foregoing Consent is his/her free act and deed and the free act and deed of Liberty Mutual Group.

Before me, _____

Notary Public

My commission expires

on _____