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**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

In the Matter of the Rates, Rating Plans, or
Rating Systems of

MERCURY INSURANCE GROUP

(MERCURY CASUALTY COMPANY,
MERCURY INSURANCE COMPANY,
CALIFORNIA AUTOMOBILE
INSURANCE COMPANY, AMERICAN
MERCURY INSURANCE COMPANY
and CALIFORNIA GENERAL
UNDERWRITERS INSURANCE
COMPANY, INC.),

File No. NC 04-038852

Respondents.

ORDER ADOPTING STIPULATION AND SETTLEMENT AGREEMENT

WHEREAS, Respondents have executed the attached Stipulation and Settlement Agreement, the provisions of which are hereby incorporated by reference, and agreed to settle with the Insurance Commissioner concerning the matters therein, waived hearing, and consented to the entry of this Order; and

WHEREAS, Respondents, in the attached Stipulation and Settlement Agreement admit that the Insurance Commissioner has jurisdiction over the above-named Respondents who are holders of Certificates of Authority issued by the Department to conduct the business of insurance in California and each is a member of the Mercury Insurance Group; and

WHEREAS, the Insurance Commissioner and Respondents have discussed the need for Respondents to comply with the California Insurance Code and regulations, and Respondents have agreed to implement corrective measures so as to ensure compliance; and

WHEREAS, the Insurance Commissioner and Respondents believe that it is in the public interest to resolve the matters raised herein without the need for a formal hearing; and

WHEREAS, Respondents were served with a Notice of Noncompliance and First Amended Notice of Noncompliances (“the Pleading”); and

1 WHEREAS, Respondents are represented by counsel, fully advised, and freely and
2 voluntarily executed the Stipulation and Settlement Agreement with a full realization of all their
3 legal rights.

4 WHEREAS, Respondents have waived their rights to a hearing and any and all rights that
5 they may have under California Insurance Code section 1858.1, et seq. and Government Code
6 section 11500 et seq. with respect to this matter; and

7 WHEREAS, Respondents have agreed for the Insurance Commissioner of the State of
8 California to levy a monetary penalty upon Respondents.

9 NOW THEREFORE, IT IS ORDERED that Respondents not engage in any such
10 methods, acts, conduct or practices which are violative of or do not comply with the California
11 Insurance Code and regulations and requirements of the attached Stipulation and Settlement
12 Agreement.

13 IT IS FURTHER ORDERED that Respondents shall pay the sum of Three Hundred
14 Thousand Dollars (\$300,000.00) as a monetary penalty, payment due within thirty (30) days upon
15 receipt of a Department of Insurance invoice for said amount, payable to the Department of
16 Insurance and mailed directly to:

17
18 Accounting Services Bureau
19 California Department of Insurance
20 300 Capitol Mall, 13th Floor
21 Sacramento, CA 95814

22 IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this
23 5th day of June, 2006.

24 JOHN GARAMENDI
25 Insurance Commissioner

26 /s/
27 By: JERRY L. WHITFIELD
28 Assistant Chief Counsel