

1 For the purposes of this Stipulation the Safeco Property and Casualty Group and the members of
2 that group identified above shall be referred to as the “Company.”

3
4 B. Pursuant to the authority granted under the California Insurance Code, during
5 2007, 2008 and 2009 the Field Rating and Underwriting Bureau of the Department conducted a
6 market conduct examination of the rating and underwriting practices of the Company. For
7 commercial lines, the exam focused on the time period from December 1, 2006 through February
8 28, 2007. For personal lines, the exam focused on the time period from April 1, 2007 through June
9 30, 2007. (Collectively, the “Examination”). The Examination included a review of the rating and
10 underwriting practices of the Company as they pertain to lines including private passenger
11 automobile, California automobile assigned risk, homeowners, commercial multi-peril, commercial
12 automobile, workers’ compensation, and surety.

13
14 C. At the conclusion of the Examination, the Department prepared and submitted to
15 the Insurance Commissioner of the State of California a Report of Market Conduct Examination of
16 the Rating and Underwriting Practices of the Safeco Property and Casualty Insurance Group, which
17 was adopted on December 18, 2009 (“Report”).

18
19 D. In the Report the Department alleges that certain acts and/or practices of the
20 Company are non-compliant with the California Insurance Code and/or California Code of
21 Regulations (the “Allegations”).

22
23 E. The Company denied and continues to deny (i) that the Allegations represent any
24 violation of California insurance law, (ii) that its rating and underwriting practices are in any way
25 non-compliant, and (iii) that its rating and underwriting practices in any way violate or violated the
26 California Insurance Code, California Code of Regulations, or any other provision of law.

27
28

1 F. From the time of the Examination forward the Department and the Company
2 have met and conferred in an effort to address the Allegations. In furtherance of those efforts the
3 Department and the Company have agreed that the Company would take those approved and agreed
4 to actions responsive to certain specific Allegations as referenced in the Report and as modified in
5 subsequent filings or communications with the Department, including where appropriate (i) the
6 restatement and/or refund of premium, (ii) modification of rating and underwriting rules, and (iii)
7 development of new forms, practices and procedures (the “Responsive Actions”).

8
9 G. Except as specifically noted in paragraph 6 of the Stipulation below, by this
10 Stipulation the Department and the Company agree to resolve all Allegations that are based on
11 alleged non-compliant acts and/or practices that occurred during the exam time periods up through
12 the date the Order on Stipulation is executed by or on behalf of the Commissioner.

13
14 H. Based on the actions of the Company as described above and the Stipulation as
15 described below, the Department believes that it is in the public interest to resolve this matter
16 without the need for a hearing or any further administrative action. The Company and the
17 Department agree that no factual findings or legal conclusions have been made with respect to the
18 Examination, Report and Allegations.

19
20 **STIPULATION**

21 Based on the foregoing Recitals, each of which is agreed to by the Department and the
22 Company, the Department and the Company agree to resolve with finality all matters related to the
23 Allegations pursuant to the following stipulated terms:

24
25 1. With regard to the matters released herein, the Company waives the right to a
26 hearing and any rights to which the Company may be entitled pursuant to California Insurance Code
27 section 1858.2.

1 2. In addition to those actions specified in the Report and/or implemented by the
2 Company in response to the Report, the Department and the Company agree that the Company shall
3 pay a fine in the amount of \$900,000, with payment due within thirty (30) days after delivery by the
4 Department to the Company of the attached Order on Stipulation signed by or on behalf of the
5 Insurance Commissioner and an invoice.

6
7 3. The Company acknowledges that this Stipulation is a public record within the
8 meaning of Government Code section 11517(b) and that this Stipulation will be accessible to the
9 public pursuant to the Public Records Act, Government Code sections 6250, *et seq.* The Company
10 further acknowledges that the Stipulation will be made available on the Department website
11 pursuant to Insurance Code section 12968.

12
13 4. The Company acknowledges that Insurance Code section 12921(a)(1) requires
14 the Insurance Commissioner to approve this Settlement. This Settlement is therefore contingent on
15 the Commissioner's approval as evidenced by the execution of the attached Order on Stipulation by
16 or on behalf of the Commissioner. The Stipulation will become final and effective when it is
17 approved by the Commissioner as evidenced by the execution of the Order provided below. The
18 Stipulation shall have no force and effect unless and until the Order on Stipulation is executed by or
19 on behalf of the Commissioner.

20
21 5. The Company acknowledges that it has executed this Stipulation with full
22 knowledge and realization of its legal rights.

23
24 6. This Stipulation and the execution of the Order on Stipulation by or on behalf of
25 the Commissioner shall constitute a full and final resolution and release of all issues and matters
26 stated in the Examination and Report and all issues related to the Allegations and to all practices
27 stated in the Report through the date the Order on Stipulation is executed by or on behalf of the
28 Commissioner (the "Released Matters"). This Stipulation therefore acts as a full and final release of

1 the Company of any and all further regulatory or other legal action by the Department or Insurance
2 Commissioner based on or in any way related to the Released Matters; provided, however, that this
3 Stipulation does not preclude the Department from pursuing a future administrative action against
4 the Company based on the Company's failure to implement the Responsive Actions.

5
6 7. Nothing contained in this Stipulation constitutes a limitation upon, or a waiver of
7 the rights and powers of the Department and Commissioner to enforce California law, to examine
8 the rating, underwriting and other business practices of the Company, to take corrective or
9 disciplinary action, to assess penalties as provided by law, or to take such other action as necessary
10 to protect the public. But the Department shall not seek any additional penalty against the Company
11 based in any way on any of the Allegations or other matters stated in the Report arising from acts,
12 practices and/or omissions occurring before the date by which the Company agreed that it would
13 implement or have implemented appropriate corrective action in response to the Allegations and/or
14 the issuance of the Insurance Commissioner's final Order on Stipulation resolving this matter,
15 whichever date is sooner.

16
17 8. This Stipulation shall be effective on the date the Order on Stipulation is
18 executed by or on behalf of the Insurance Commissioner.

19 //

20 //

21 //

22 //

23 //

24 //

25 //

26 //

27 //

28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

9. The Commissioner retains jurisdiction to ensure that the Company complies with the terms and conditions of the Stipulation.

Dated: October 14, 2013

CALIFORNIA DEPARTMENT OF INSURANCE

By: _____ /s/

Dated: October 8, 2013

SAFECO PROPERTY AND CASUALTY GROUP

By: _____ /s/

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

In the Matter of the Rates, Rating Plans, Rating)
Systems and Underwriting Guidelines of)
Respondent.)
_____)

**File No. NC-2010-00007
ORDER ADOPTING STIPULATION**

ORDER ON STIPULATION

Having reviewed the parties' Stipulation and good cause appearing, I approve the terms of the Stipulation and adopt those terms as the Order of the Insurance Commissioner of the State of California in this matter.

IT IS SO ORDERED.

Dated: November 14, 2013

DAVE JONES
Insurance Commissioner

By: _____ /s/ _____