

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, DECEMBER 8, 2004

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COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2004-00321

LIBERTY MUTUAL INSURANCE COMPANY,
LIBERTY MUTUAL FIRE INSURANCE COMPANY,
LIBERTY INSURANCE CORPORATION,
FIRST LIBERTY INSURANCE CORPORATION,
and
LM INSURANCE CORPORATION,

Defendants

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance, it is alleged that Defendants, each of which is duly licensed by the Commission to transact the business of insurance in the Commonwealth of Virginia, violated the Code of Virginia and the Virginia Administrative Code as follows: Liberty Mutual Insurance Company violated §§ 38.2-231, 38.2-304, 38.2-305, 38.2-317 A, 38.2-1318, 38.2-1822, 38.2-1906 D, 38.2-2124, 38.2-2204, and 38.2-2220 of the Code of Virginia, as well as 14 VAC 5-400-80 D; Liberty Mutual Fire Insurance Company violated §§ 38.2-231, 38.2-305, 38.2-1318, 38.2-1822, 38.2-1906 D, 38.2-2202, 38.2-2204, 38.2-2206, 38.2-2220, and 38.2-2223 of the Code of Virginia, as well as 14 VAC 5-400-80 D; Liberty Insurance Corporation violated §§ 38.2-304, 38.2-305, 38.2-1318, 38.2-1812, 38.2-1822, 38.2-1906 D, 38.2-2204, and 38.2-2220 of the Code of Virginia, as well as 14 VAC 5-400-80 D; First Liberty Insurance Corporation violated §§ 38.2-305, 38.2-1833, 38.2-1906 D, and 38.2-2220 of the Code of Virginia; and LM Insurance Corporation violated

§§ 38.2-1906 D and 38.2-2220 of the Code of Virginia. The alleged violations all relate to policies written in the voluntary market.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code of Virginia to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke Defendants' licenses upon a finding by the Commission, after notice and opportunity to be heard, that Defendants have committed the aforesaid alleged violations.

Defendants have been advised of their right to a hearing in this matter, whereupon Defendants, without admitting any violation of Virginia law, have made an offer of settlement to the Commission wherein Defendants have tendered to the Commonwealth of Virginia the sum of thirty-seven thousand dollars (\$37,000), waived their right to a hearing, and agreed to the entry by the Commission of a cease and desist order.

The Bureau of Insurance has recommended that the Commission accept the offer of settlement of Defendants pursuant to the authority granted the Commission in § 12.1-15 of the Code of Virginia.

THE COMMISSION, having considered the record herein, the offer of settlement of Defendants, and the recommendation of the Bureau of Insurance, is of the opinion that Defendants' offer should be accepted.

IT IS THEREFORE ORDERED THAT:

(1) The offer of Defendants in settlement of the matter set forth herein be, and it is hereby, accepted;

(2) Liberty Mutual Insurance Company cease and desist from any conduct which constitutes a violation of §§ 38.2-231, 38.2-304, 38.2-305, 38.2-317 A, 38.2-1318, 38.2-1822, 38.2-1906 D, 38.2-2124, 38.2-2204 or 38.2-2220 of the Code of Virginia, or 14 VAC 5-400-

80 D; Liberty Mutual Fire Insurance Company cease and desist from any conduct which constitutes a violation of §§ 38.2-231, 38.2-305, 38.2-1318, 38.2-1822, 38.2-1906 D, 38.2-2202, 38.2-2204, 38.2-2206, 38.2-2220 or 38.2-2223 of the Code of Virginia, or 14 VAC 5-400-80 D; Liberty Insurance Corporation cease and desist from any conduct which constitutes a violation of §§ 38.2-304, 38.2-305, 38.2-1318, 38.2-1812, 38.2-1822, 38.2-1906 D, 38.2-2204 or 38.2-2220 of the Code of Virginia, or 14 VAC 5-400-80 D; First Liberty Insurance Corporation cease and desist from any conduct which constitutes a violation of §§ 38.2-305, 38.2-1833, 38.2-1906 D or 38.2-2220 of the Code of Virginia; and LM Insurance Corporation cease and desist from any conduct which constitutes a violation of §§ 38.2-1906 D or 38.2-2220 of the Code of Virginia; and

(3) The papers herein be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Mark Plesha, CPCU, AIS, Liberty Mutual Group, 175 Berkeley Street, P.O. Box 140, Boston, Massachusetts 02117-0140; and the Bureau of Insurance in care of Deputy Commissioner Mary M. Bannister.