

1 CALIFORNIA DEPARTMENT OF INSURANCE
LEGAL DIVISION
2 Rate Enforcement Bureau - Sacramento
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6 Attorney for the California Department of Insurance
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8 **BEFORE THE INSURANCE COMMISSIONER**
9 **OF THE STATE OF CALIFORNIA**
10

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

12 ACE LIMITED INSURANCE GROUP¹
13

14 Respondents.

File No. NC-2010-00006

STIPULATION AND CONSENT ORDER

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16 The California Department of Insurance (“the Department”) and ACE LIMITED
17 INSURANCE GROUP (Respondents or ACE) (collectively, the “Parties”) stipulate as follows:
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- 19 1. The Department has jurisdiction over Respondents who are, and at all relevant times, were
20 insurers licensed to transact the business of insurance in California.
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22 2. At all relevant times herein, Respondents transacted the business of insurance in
23 California on risks or lines subject to the provisions of the California Insurance Code
24 (CIC) and the California Code of Regulations (CCR).
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26 ¹ Ace Ltd. Insurance Group (NAIC Group #0626) is comprised in California of all of the following entities: ACE
27 American Insurance Company, ACE Fire Underwriters Insurance Company, ACE Indemnity Insurance Company,
28 ACE Property & Casualty Insurance Company, Bankers Standard Insurance Company, Indemnity Insurance
Company of North America, Insurance Company of North America, Pacific Employers Insurance Company, and
Westchester Fire Insurance Company. Collectively, this group of entities shall be referred to herein as “Respondent:
or “ACE.”

- 1 3. Respondents acknowledge receipt of the Notice of Noncompliance in this matter which
2 includes allegations that were the product of an examination undertaken by the California
3 Department of Insurance, Field Rating and Underwriting Bureau (FRUB) during the time
4 period of November 1, 2008 through January 31, 2009 (“Exam”). The written report
5 detailing these allegations was adopted on November 19, 2009 (“Exam Report”).
- 6 4. The purpose of this stipulation is to resolve contested issues resulting from the Exam and
7 the Exam Report.
- 8 5. The Department and Respondents believe that it is in the public interest to resolve this
9 matter without the need for a hearing or any further administrative action.
- 10 6. Other than as set forth in the Exam Report and this Stipulation, the Parties agree no factual
11 findings or legal conclusions have been made.
- 12 7. Respondents deny the allegations contained in the Notice of Noncompliance and by
13 entering into this stipulated agreement, memorialized by this Stipulation, Respondents
14 make no admission of liability, wrongdoing or violation of law.
- 15 8. Without admitting wrongdoing, Respondents waive their rights to a hearing and any and
16 all rights to which they may be entitled pursuant to California Insurance Code sections
17 1858.1, *et seq.*
- 18 9. From the time of the Exam until the present time Respondents have met and conferred
19 with the Department, and will continue to meet and confer with the Department as
20 necessary, to address concerns arising from the Exam. Respondents have modified rating
21 rules and underwriting guidelines and taken other remedial measures to address concerns
22 set forth in the Exam.
- 23 10. Respondents have made the following changes to their rating and underwriting practices:
24 Respondents implemented the Commercial Lines Insurance Processing System (CLIPS)
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1 process in March 2009 for business formerly rated through the Progress system. Upon
2 implementing the CLIPS process, Respondents transferred responsibility for quality control
3 over these programmed rates and rating rules from their information technology employees to
4 a new Rate Management Team, made up of employees with compliance, underwriting and
5 rating experience. Respondents implemented a risk based testing and rate validation strategy.
6 Independently from their vendors, Respondents routinely compare their programmed rates
7 with their filed rates. Respondents also conduct monthly user group meetings to address
8 issues with the system. Respondents test newly programmed rates prior to the effective date of
9 the rates, correct the rates or create a workaround process until rates can be corrected and
10 create an electronic log to document incorrect rates.

11 11. Respondents have refunded all premium overcharges identified by the Department.

12
13 12. At the present time, the Department agrees that with these modifications and refunds,
14 Respondents have achieved compliance with California insurance laws.

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16 13. In further compromise of the issues arising from the Exam and the Exam Report,
17 Respondents agree to and shall pay, within thirty (30) days after receiving an invoice from
18 the California Department of Insurance, Accounting Services Bureau, a fine in the amount
19 of one hundred thousand dollars (\$100,000.00).

20 14. Respondents acknowledge that this Stipulation is a public record as required by
21 Government Code section 11517(d) and that this Stipulation will be accessible to the
22 public pursuant to the Public Records Act, Government Code sections 6250 *et seq.* The
23 Stipulation will be posted on the Department's Internet website pursuant to California
24 Insurance Code section 12968.

25 15. Respondents acknowledge that California Insurance Code section 12921(a)(1) requires
26 the Insurance Commissioner of the State of California ("Commissioner") approve the
27 final settlement of this matter. Both the settlement terms and conditions in this
28 Stipulation and the acceptance of those terms and conditions are contingent upon the

1 Commissioner's approval. This Stipulation will become final and effective when it is
2 approved by the Commissioner as evidenced by the execution of the Order provided
3 below, expressly adopting this Stipulation.

4 16. Respondents acknowledge that they freely and voluntarily executed this Stipulation with
5 full realization of their legal rights.

6 17. Respondents acknowledge that this Stipulation is effective on the date the Order adopting
7 it is executed by the Commissioner.

8 18. This Stipulation shall have no force or effect if it is not approved by the Commissioner.

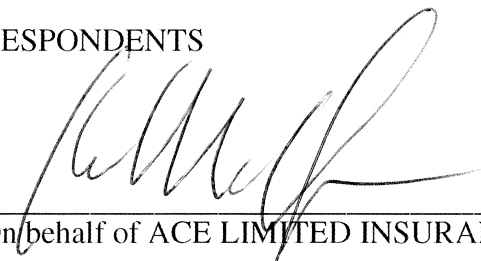
9 19. This Stipulation and Consent Order includes all acts covered in the Exam and the Exam
10 Report up to the date of this Stipulation and Consent Order. Nothing in this Stipulation
11 precludes any action of the Department in pursuing further action against Respondents
12 for failure to correct the actions which are the subject of this Stipulation and Consent
13 Order.

14 20. Nothing contained in this Stipulation and Consent Order constitutes a limitation upon, or
15 a waiver of the rights and powers of the Commissioner to enforce any California law, to
16 examine the rating, underwriting and any other business practices of Respondents, to take
17 corrective or disciplinary action, to assess penalties against Respondents as provided for
18 by law, or to take such other action as necessary to protect the public. But, the
19 Department shall not seek any additional penalty against Respondents based on any of
20 the allegations contained in the Exam Report arising from acts occurring before the
21 issuance of the Insurance Commissioner's final order settling this matter.

22 21. The Commissioner retains jurisdiction to ensure that the Parties comply with the
23 provisions and terms of this Stipulation and the Order requested thereon.

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26 Dated: 12/17, 2013

RESPONDENTS


On behalf of ACE LIMITED INSURANCE GROUP

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Dated: January 2, 201~~4~~ CALIFORNIA DEPARTMENT OF INSURANCE

By Lisbeth L. Smith
Lisbeth Landsman-Smith

ORDER

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.

Dated: January 21, 201~~4~~ DAVE JONES
Insurance Commissioner

By Elizabeth Mohr