MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

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FILED

2010 NOV -8 A 12: 13

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

In The Matter Of:	)	
	)	
FEDERAL INSURANCE COMPANY,	)	No. 10-0209
PACIFIC INDEMNITY COMPANY,	)	
GREAT NORTHERN INSURANCE CO.,	)	NOTICE OF HEARING TO
EXECUTIVE RISK INDEMNITY, INC.,	)	REQUEST IMPOSITION OF
VIGILANT INSURANCE COMPANY,	)	A FINE
NORTHWESTERN PACIFIC INDEMNITY CO.,	)	
	)	
Authorized Insurers,	)	

To: Chubb & Son
A division of Federal Insurance Company
Manager
15 Mountain View Road
Warren, NJ 07061-1615

REQUEST FOR IMPOSITION OF A FINE

A. BASIS

1. Federal Insurance Company, Pacific Indemnity Company, Great Northern Insurance Company, Executive Risk Indemnity, Inc., Vigilant Insurance Company, and Northwestern Pacific Indemnity Company are property and casualty insurers authorized to do business in the State of Washington and are wholly owned subsidiaries of Chubb & Son, a division of Federal Insurance Company, Manager, and are hereafter referred to as "Chubb" or "Companies."

2. The Companies were subject to a market conduct examination performed by the OIC covering the period from January 1, 1998, through September 30, 1998. Insurance Code violations found in said examination resulted in the entry of Consent Order Levying Fine No. D 2000–04, which included both an imposed and suspended fine and a compliance plan requiring semiannual self audits of the areas involved in the violations.

3. The Companies' failures to document the application of commercial rating schedules and failures to provide the reasons for applying schedule rating debits or credits were among the violations that were the subject of Consent Order Levying Fine No. D 2000-04 and of the compliance plan's self-audits. Continuing violations reported under the compliance plan,

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including the Companies' continued high rate of failures to document the application of commercial rating schedules and failures to provide the reasons for applying schedule rating debits or credits resulted in Order Imposing Suspended Fine No. D03-147.

4. The Companies were further subject to a market conduct examination performed by the OIC covering the period from June 1, 2002 through May 31, 2003. The examination again found, among other violations, that the Companies failed to document the application of commercial rating schedules and to provide the reasons for applying schedule rating debits or credits. These violations resulted in the entry of Consent Order Levying Fine No. D 07-289, which once again imposed a fine and included a compliance plan requiring semiannual audits of the areas involved in the violations.

5. The Companies' self audits found: an average of 14% of the sample files reviewed contained violations of WAC 284-24-070; an average of 41% of the sample files reviewed contained violations of WAC 284-24-100; and an average of 56% of the sample files reviewed contained violations of RCW 48.19.040.

6. The limited number of files audited by the Companies following entry of Order No. D 07-289 reflected numerous violations of Washington law, including:

   a. The Companies' use of rates that were not in accordance with the Companies' rate filings then in effect over the past two years constituted 354 violations of RCW 48.19.040.

   b. The Companies' failures to document their applications of their filed schedule rating plan over the past two years constituted 90 violations of WAC 284-24-070.

   c. The Companies' failures to document their applications of their filed commercial rating schedules and failures to provide the reasons for applying schedule rating debits or credits constituted 90 violations of WAC 284-24-100.

7. The violations which are the subject of this Notice were reported to the OIC within the two year period prior to the date of this Notice.

B. PENALTIES AND RELIEF REQUESTED

8. Pursuant to RCW 48.05.185, the OIC seeks to impose a fine against Respondent Companies in the amount of $1,000 for each violation of RCW 48.19.040, WAC 284-24-070, and WAC 284-24-100 for a total requested fine amount of $534,000.

II. NOTICE OF HEARING

9. Chief Presiding Officer, Patricia Petersen, P.O. Box 40255, Olympia, Washington 98504-0255, (360) 725-7105, has been appointed as Presiding Officer in this matter. A prehearing conference has been scheduled to commence before Chief Presiding Officer Petersen on

November 22, 2010 at 10:00 AM at the Office of the Insurance Commissioner, 5000 Capitol Blvd., Tumwater, Washington, and to continue on succeeding days until terminated.

10. At the hearing the OIC will present evidence as to why fines should be ordered against Respondents. Respondents may present any defenses, evidence or argument they may have in opposition. In the event that Respondents fail to appear, they may be held in default and the penalties and fines may be levied effective on the date of the hearing.

11. The OIC staff will participate in this hearing through its designated representative, Charles Brown.

Entered at Tumwater, Washington this 8th day of November, 2010.

MIKE KREIDLER
INSURANCE COMMISSIONER

By: Charles Brown
CHARLES BROWN
OIC STAFF ATTORNEY