

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



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www.insurance.wa.gov

2010 NOV 10 A 10: 56

OFFICE OF
INSURANCE COMMISSIONER

In The Matter Of:)
)
FEDERAL INSURANCE COMPANY,)
PACIFIC INDEMNITY COMPANY,)
GREAT NORTHERN INSURANCE CO.,)
EXECUTIVE RISK INDEMNITY, INC.,)
VIGILANT INSURANCE COMPANY,)
NORTHWESTERN PACIFIC INDEMNITY CO.,)
)
Authorized Insurers,)

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

No. 10-0210

ORDER SUSPENDING
CERTIFICATES OF AUTHORITY

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

IT IS ORDERED and you are hereby notified that Certificate of Authority Nos. 428, 581, 784, 1893, 685, and 796 issued to Federal Insurance Company, Pacific Indemnity Company, Great Northern Insurance Co., Executive Risk Indemnity, Inc., Vigilant Insurance Company, and Northwestern Pacific Indemnity Co., respectively, are suspended for a period of nine months, which suspension shall commence and take effect ten days from the date of entry of this Order. This suspension is confined to the above-named Companies' authority to write new business during the nine month period of the suspension and does not suspend the Companies' authority to fulfill obligations under policies issued prior to the effective date of the suspension imposed by this Order or the Companies' authority to renew such existing policies.

This Order is based on the Following:

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

Order Suspending Certificates Of Authority

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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, 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 over the prior 2 years contained violations of WAC 284-24-070; an average of 41% of the sample files reviewed over the prior 2 years contained violations of WAC 284-24-100; and an average of 56% of the sample files reviewed over the prior 2 years 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.

This Order does not relieve the Companies from any pending or accrued reporting, filing, or fee/tax payment required by Title 48 RCW.

RCW Chapters 48.04 and 34.05 provide the Companies the right to demand a hearing on this Order.

Entered at Tumwater, Washington this 14 day of November, 2010.

MIKE KREIDLER
INSURANCE COMMISSIONER

By: Charles O Brown
CHARLES BROWN
OIC STAFF ATTORNEY