

1 CALIFORNIA DEPARTMENT OF INSURANCE  
LEGAL DIVISION  
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6 Attorneys for The California Department of Insurance

7  
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

File No. NC-2009-00007

12 Travelers Companies,<sup>1</sup>

STIPULATION

13 Respondents.  
14

15  
16 The California Department of Insurance and Travelers Companies, Respondents,  
17 stipulate as set forth herein.

18 1. The California Department of Insurance has jurisdiction over Respondents, who  
19 are and were at all relevant times, members of an insurer group individually licensed to transact  
20 the business of insurance in the State of California.

21 2. At all times relevant thereto Respondents transacted the business of insurance in  
22 California on risks or lines subject to the provisions of the California Insurance Code and the  
23 California Code of Regulations.

24 3. Respondents acknowledge receipt of the Notice of Noncompliance in this matter  
25 which includes allegations that were the product of an examination undertaken by the California  
26 Department of Insurance, Field Rating and Underwriting Bureau, taking place during the time  
27

28 <sup>1</sup> There are twenty-eight companies comprising the Travelers Companies. The list of individual company names is attached as Exhibit 1.

1 period of January 1, 2006 to July 31, 2006.

2 4. Respondents deny the allegations contained in the Notice of Noncompliance and  
3 by entering into this stipulated agreement, memorialized by the contents of this Stipulation,  
4 Respondents make no admission of liability, wrongdoing or violation of law.

5 5. From January 2006 until the present time Respondents have met and conferred  
6 with the California Department of Insurance, and will continue to meet and confer with the  
7 California Department of Insurance as necessary, to address concerns arising from the  
8 aforementioned examination and in every instance Respondents have, pursuant to detailed  
9 directives from the California Department of Insurance, modified rating rules and underwriting  
10 guidelines and / or taken other remedial measures to address concerns set forth in  
11 aforementioned Examination Report and in the opinion of the California Department of  
12 Insurance, in each instance, in making these changes, Respondents have achieved full  
13 compliance with California insurance laws.

14 6. In cases where the California Department of Insurance has identified premium  
15 overcharges Respondents have agreed to refund said premium overcharges and have refunded or  
16 are in the process of refunding any and all overcharges identified by the California Department  
17 of Insurance.

18 7. The California Department of Insurance and Respondents believe that it is in the  
19 public interest to resolve this matter without the need for a hearing or any further administrative  
20 action and the parties agree no factual findings or legal conclusions have been made.

21 8. Respondents waive the right to a hearing and to any and all rights that  
22 Respondents may be entitled to pursuant to California Insurance Code § 1858.2 as those rights  
23 pertain to the subject matter of the Notice of Noncompliance referred to above.

24 9. Respondents agree to and shall pay, within ten (10) days after receiving an  
25 invoice from the California Department of Insurance, Accounting Services Bureau, a fine in the  
26 amount of \$1,500,000.00 (one million, five hundred thousand U.S. dollars).

27 10. Respondents acknowledge that this Stipulation is a public record as required by  
28 Government Code § 11517 (d) and that this Stipulation will be accessible to the public pursuant

1 to the Public Records Act, Government Code §§ 6250 *et seq.* The Stipulation will be posted on  
2 the Department's Internet website pursuant to California Insurance Code § 12968.

3 11. Respondents acknowledge that California Insurance Code § 12921 (a) (1) requires  
4 the Insurance Commissioner of the State of California ("Commissioner") to approve the final  
5 settlement of this matter. Both the settlement terms and conditions contained herein and the  
6 acceptance of those terms and conditions are contingent upon the Commissioner's approval. This  
7 Stipulation will become final and effective when it is approved by the Commissioner as  
8 evidenced by the execution of the Order provided herein expressly adopting this Stipulation.

9 12. Respondents acknowledge that they freely and voluntarily executed this  
10 Stipulation with full realization of their legal rights.

11 13. This Stipulation, if adopted by the Commissioner, constitutes a full and final  
12 resolution of all issues arising from the examination undertaken by the California Department of  
13 Insurance, Field Rating and Underwriting Bureau, taking place during the time period of January  
14 1, 2006 to July 31, 2006, and, except as set forth in paragraph 16, acts as a full and final release  
15 from any further legal action on the part of the California Department of Insurance relating to  
16 those issues, including all issues raised in the Notice of Noncompliance and the Examination  
17 Report, adopted on November 12, 2008

18 14. Respondents acknowledge that this Stipulation is effective on the date the Order  
19 adopting it is executed by the Commissioner.

20 15. This Stipulation shall have no force or effect if it is not approved by the  
21 Commissioner.

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16. The Commissioner retains jurisdiction to ensure that Respondents comply with the provisions and terms of the Stipulation.

Dated: CALIFORNIA DEPARTMENT OF INSURANCE

By \_\_\_\_\_ /s/\_\_\_\_\_  
Donald P. Hilla  
Senior Litigation Counsel

Dated: RESPONDENTS, TRAVELERS COMPANIES

By \_\_\_\_\_ /s/\_\_\_\_\_  
David E. Baker  
Senior Vice President, Chief Compliance  
Officer, and Group General Counsel