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**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

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

Mercury Casualty Company,
Mercury Insurance Company, and
California Automobile Insurance
Company,

Respondents.

File No. NC-2010-00002

STIPULATION AND CONSENT ORDER

The California Department of Insurance ("the Department") and Mercury Casualty Company, Mercury Insurance Company, and California Automobile Insurance Company ("Respondents") (collectively, the "Parties") stipulate as follows:

RECITALS

1. The Department has jurisdiction over Respondents who are, and at all relevant times were, insurers licensed to transact the business of insurance in California.
2. At all relevant times, each of the Respondents transacted the business of insurance in California on risks or lines subject to the provisions of the California Insurance Code ("CIC" or "Code") and the California Code of Regulations ("CCR" or "Regulations").

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3. Respondents acknowledge receipt of the Notice of Noncompliance in this matter which alleges violations of the Code and Regulations that the Department's Field Rating and Underwriting Bureau discovered during an examination of Respondents' rating and underwriting practices for the period of March 1, 2007 to May 31, 2007 (the "Exam"). The written report detailing these alleged violations was adopted on February 18, 2010 (the "Exam Report").
4. The purpose of this Stipulation is to resolve contested issues resulting from the Exam and the Exam Report.
5. The Department and Respondents believe that it is in the public interest to resolve this matter without the need for a hearing or any further administrative action.
6. The Parties have not agreed to any factual findings or legal conclusions.
7. Respondents deny the allegations of noncompliance set forth in the Exam and Exam Report and those allegations contained in the Notice of Noncompliance (the "Allegations") and by entering into this stipulated agreement, memorialized by this Stipulation, Respondents make no admission of liability, wrongdoing or violation of law, and nothing in this Stipulation shall be construed as a concession or admission of the truth or validity of those allegations.
8. Without admitting wrongdoing, Respondents waive their rights to a hearing and any and all rights to which they may be entitled pursuant to CIC sections 1858.1, *et seq.*
9. From the time of the Exam until the present the Department and Respondents have met and conferred in an effort to address the Allegations.
10. On certain items raised in the Exam Report, Respondents have or will take the actions agreed to in the Exam Report and in subsequent correspondence with the Department. These actions include but are not limited to (i) the restatement and/or refund of premium,

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2 (ii) modification of rating and underwriting rules, and (iii) development of new forms,
3 practices and procedures. On other items raised in the Exam Report and the Notice of
4 Noncompliance, Respondents have provided further information and the Department has
5 determined no changes are necessary to those practices or procedures.

6 11. The Department agrees that Respondents have either demonstrated compliance with
7 California insurance law based on additional information provided to the Department or
8 that Respondents will be in compliance with California law with the modifications and
9 refunds noted above, with the following exception. Respondents contend they comply
10 with California law when they rely solely on current Contributing Loss Underwriting
11 Exchange Reports ("CLUE Reports) to determine the chargeability of accidents. The
12 Department disagrees.

13 12. The Department contends that Respondents may not rely solely on the current form of
14 CLUE Reports to determine chargeability of accidents. Specifically, the Department
15 contends that sole reliance on the current form of CLUE Reports to determine
16 chargeability is a violation of CCR section 2632.13. The Department further contends
17 that the current system used by Respondents' CLUE vendor does not allow Respondents
18 to report or the vendor to confirm that the reporting insurer: 1) found the driver to be at
19 least 51% at-fault for the accident; and 2) considered the presumptions in CCR section
20 2632.13 (c) and (d). Respondents disagree with the Department's position on a number of
21 grounds. For instance, Respondents contend that their current practice to determine
22 chargeability of accidents based on the use of current CLUE Reports complies with CCR
23 section 2632.13. Respondents further contend that the current system used by
24 Respondents' CLUE vendor allows and requires Respondents and other reporting insurers
25 to attest and confirm that each at-fault determination was made in accordance with CCR
26 section 2632.13. Further, it is Respondents' position that the process in which data would
27 be provided by contributing carriers and the form of the current CLUE Reports were
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1 expressly discussed between the industry, LexisNexis and the Department, and said
2 process and form were approved by the Department. The Department disagrees.
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4 13. With regard to Respondents' historical use of CLUE Reports to determine chargeability of
5 accidents, this Stipulation resolves and settles the Department's criticisms.
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7 14. With regard to the future use of CLUE Reports to determine chargeability of accidents,
8 the Parties are in discussions with Respondents' current CLUE Report vendor ("Vendor")
9 to address the Department's concerns. But it is ultimately Respondents' duty to comply
10 with CCR section 2632.13.

11 15. The Parties expect changes will be made to the current CLUE Report process ("Current
12 CLUE Process") that will change how principally-at-fault determinations will be reported
13 and coded in the CLUE process ("New Clue Process"). The Parties also understand that
14 there will be a six month transition period during which Respondents' Vendor and
15 Respondents will implement the New CLUE Process. In the future, the Department
16 agrees not to pursue an enforcement action against Respondents for relying solely on
17 CLUE Reports to determine the chargeability of an accident where a driver has been
18 coded as principally-at-fault under the (1) New CLUE Process or (2) Current CLUE
19 Process prior to December 31, 2015. If the Department agrees to apply a date later than
20 December 31, 2015 to the insurance industry generally, such later date will also apply to
21 Respondents.

22 16. Nothing in this Agreement limits CDI's rights to bring future enforcement actions against
23 Respondents for any violations related to the use of CLUE Reports other than the
24 violations described above.
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26 17. In further compromise of the issues arising from the Exam, the Exam Report, and the
27 Notice of Noncompliance, Respondents agree to and shall pay, within thirty (30) days
28 after receipt of an invoice from the Department, a penalty in the amount of \$1,000,000

1 (\$1 million).
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3 18. Respondents acknowledge that this Stipulation is a public record as required by
4 Government Code section 11517(d) and that this Stipulation will be accessible to the
5 public pursuant to the Public Records Act, Government Code sections 6250 et seq. The
6 Stipulation will be posted on the Department's Internet website pursuant to CIC section
7 12968.

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9 19. Respondents acknowledge that CIC section 12921(a)(1) requires the Insurance
10 Commissioner of the State of California ("Commissioner") to approve the final settlement
11 of this matter. Both the settlement terms and conditions in this Stipulation and the
12 acceptance of those terms and conditions are contingent upon the Commissioner's
13 approval. This Stipulation will become final and effective when it is approved by the
14 Commissioner as evidenced by the execution of the Order provided below, expressly
15 adopting this Stipulation.

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

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

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

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23 23. This Stipulation and Consent Order includes all acts covered in the Exam, the Exam
24 Report and the Notice of Noncompliance up to the date of this Stipulation and Consent
25 Order. Nothing in this Stipulation precludes the Department from pursuing further action
26 against Respondents for failure to take the corrective actions that are the subject of this
27 Stipulation and Consent Order.

28 24. Nothing contained in this Stipulation and Consent Order constitutes a limitation upon, or a

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waiver of the rights and powers of the Commissioner to enforce any California law, to examine the rating, underwriting and any other business practices of Respondents, to take corrective or disciplinary action, to assess penalties against Respondents as provided for by law, or to take such other action as necessary to protect the public. But the Department shall not seek any additional and/or augmented penalties against Respondents based on any of the allegations contained in the Exam Report and/or Notice of Noncompliance arising from acts occurring before the issuance of the Insurance Commissioner's final order settling this matter.

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


Dated: February 27, 2015

Mercury Casualty Company, Mercury Insurance Company, and California Automobile Insurance Company, _____

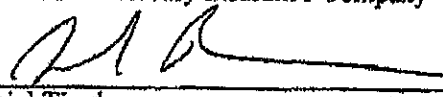
Dated: February 27, 2015

By 
Gabriel Tirador
On behalf of Mercury Casualty Company

Dated: February 27, 2015


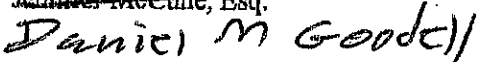
By 
Gabriel Tirador
On behalf of Mercury Insurance Company

Dated: February 27, 2015

By 
Gabriel Tirador
On behalf of California Automobile Insurance Company

Dated: ^{Mar 13} February 27, 2015

CALIFORNIA DEPARTMENT OF INSURANCE

By 
Jennifer McCune, Esq.


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**ORDER ADOPTING STIPULATION AND
CONSENT ORDER**

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: March 10, 2015

DAVE JONES
Insurance Commissioner

