

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

IN THE MATTER OF:

**LIBERTY MUTUAL FIRE
INSURANCE COMPANY**

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AID NO.: 2012- 005

CONSENT ORDER

WHEREAS, the Arkansas Insurance Department (“Department”) and Liberty Mutual Fire Insurance Company, NAIC #23035, (“Respondent”) hereby enters into this Consent Order subject to the review and approval of the Commissioner of the Department:

FINDINGS OF FACT

1. Respondent is a property and casualty insurer that holds a Certificate of Authority to do business in the State of Arkansas with a statutory home office at 2000 Westwood Drive, Wausau, WI 54401.
2. Respondent has held a Certificate of Authority to do business in the State of Arkansas since January 1, 1928.
3. In the course of investigating a consumer complaint, the Department discovered that Respondent had not filed their tier variables, their weights (factors), and tier matrix when the Respondent’s enhanced fire tier rating plan was filed with the Department.
4. Respondent also did not file their credit scoring model. Without having all the tier factors available in the filing to explain otherwise, it appears that lack of credit information was given weight. Also, the tiering methodology for Arkansas Dwelling policies included weather related claims in the tiering logic. If all supplementary rate information and supporting information had been filed as required, the filing issues would have been addressed during the review or the filing would have been disapproved if found not compliant.

CONCLUSIONS OF LAW

5. The Commissioner has jurisdiction over the Respondent and over the subject matter herein pursuant to Ark. Code Ann. § 23-61-103.

6. Ark. Code Ann. § 23-67-211 requires that all rates, supplementary rate information, and supporting information for risks which are to be written in this state by every insurer shall be filed with the Commissioner at least twenty (20) days prior to the effective date.

7. Ark. Code Ann. § 23-67-405(5) prohibits an insurer from considering an absence of credit information or an inability to calculate a credit score as anything other than a neutral.

8. Ark. Code Ann. § 23-63-109 bans the use of claims arising from natural causes as the basis for a cancellation or a nonrenewal. Directive 2-2009, dated August 3, 2009, expanded the previous directive (Directive IA-2004) explaining Ark. Code Ann. § 23-63-109 on the use of claims arising from natural causes. In addition to banning these as the basis for a cancellation or a nonrenewal, Directive 2-2009 specifically states that any claims arising from natural causes also cannot be used as the basis for not underwriting a policy or surcharging and tier placement of insureds based on prior weather related losses.

9. The Commissioner, based on the Findings of Fact, above, concludes that Respondent did not properly file the all rate, supplementary rate information, and supporting information for risks which are to be written in this state in violation of Ark. Code Ann. § 23-67-211.

10. Ark. Code Ann. § 23-67-205(b)(3) authorizes the Commissioner to impose upon the insurer an administrative penalty in the amount of up to one thousand dollars (\$1,000) per violation or up to ten thousand dollars (\$10,000) per violation if the insurer knew or reasonably should have known that the violation existed.

ORDER

NOW THEREFORE, on the basis of the foregoing and the waiver of the Respondent of its rights to a hearing and appeal under the Arkansas Uniform Administrative Procedures Act, Ark. Code Ann. §§ 25-15-201, *et seq.*, and the admission by the Respondent of the jurisdiction of the Commissioner, the Commissioner finds that the Respondent has consented to the entry of this Order and that the following Order is appropriate and in the public interest.

IT IS HEREBY ORDERED that:

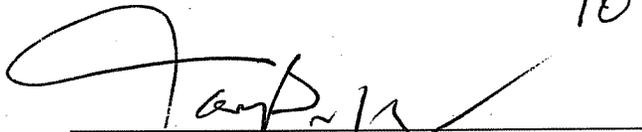
Liberty Mutual Fire Insurance Company shall pay to the Department within thirty (30) days of the date of this Order a monetary administrative penalty in the amount of Five Thousand Dollars (\$5,000).

This Consent Order is in the public interest, is in the best interests of the parties hereto, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By its signature affixed below, Respondent affirmatively states that it has freely agreed to the entry of this Consent Order, that it has been advised it may consult legal counsel in this matter and has had the opportunity to consult with legal counsel should it have desired to do so, that it waives its rights to a hearing on the matters underlying this Consent Order, and that no threats or promises of any kind have been made by the Commissioner, the Department or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described here, other than the terms of settlement set forth in this Consent Order, are binding upon them.

IT IS SO ORDERED THIS 28 day of ~~DECEMBER, 2011.~~

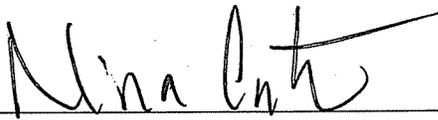
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January 2012



JAY BRADFORD
INSURANCE COMMISSIONER
STATE OF ARKANSAS

APPROVED FOR ENTRY:



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By: 

Title: Assistant Director, Product Mgmt
Of Liberty Mutual Fire Insurance Company