CHARTIS INC.
NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.
NAIC COMPANY CODE 19445

MULTISTATE EXAMINATION

REGULATORY SETTLEMENT AGREEMENT

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A. PREAMBLE

This Multistate Examination Regulatory Settlement Agreement, including Exhibits (the "Agreement"), is entered into as of this ___ day of September 2012, by and among Chartis Inc., on behalf of itself, its insurance company subsidiaries listed in Exhibit 1 of this Agreement, and its wholly owned non-insurance company subsidiaries (but solely to the extent they service Accident and Health Insurance business within the Scope of this Agreement), and any successors thereto (collectively, the "Company"), the Departments of Insurance of Iowa, Ohio, Minnesota, New Jersey, and Pennsylvania and the Departments of Insurance of the Signatory States.

B. DEFINITIONS

For purposes of this Agreement, the following definitions apply:

1. "*Accident and Health Insurance*" means insurance against loss or expense resulting from the sickness of the insured, or from the bodily injury or death of the insured by accident, or both. Accident and Health Insurance also includes wellness benefits, travel insurance, medical stop loss insurance and disability income insurance. Travel insurance includes, but is not limited to, lost baggage, trip interruption, trip cancellation, medical evacuation, car rental and other travel-related insurance. In those States where some or all of the coverages specified above constitute inland marine insurance, for purposes of this Agreement, except with respect to Form Filing, Rate Filing and Rate requirements and allocation of premium, such coverages shall be deemed to be Accident and Health Insurance. Accident and Health Insurance does not include workers' compensation insurance.

2. "*Accident and Health Insurance Policy*," "*Policies*" or "*Form*" means an insurance application, certificate, declarations page, description of coverage, policy, rider, endorsement, amendment, addendum to an application or addendum to a declarations page, evidencing Accident and Health Insurance that is underwritten by the Company.

3. "*Additional Administrative Penalty*" means the potential additional penalty provided pursuant to Section E. 8 of this Agreement.

4. "*Administrative Penalty*" means the penalty provided pursuant to Section E.1 of this Agreement.

5. "*Agreement*" is defined in the Preamble.

6. "*Association*" means a collection of individuals that is recognized by State law or a Department of Insurance as an eligible group, where such recognition is required.

7. "*Blanket Policy*" means a type of Accident and Health Insurance Policy that covers multiple persons under a single Policy that are part of a Group or Association, and that insures such persons with respect to certain activities or for a limited duration, based on participation in the Group or Association.

8. "*Call Center*" means a facility with workers whose primary job function is to make sales or marketing calls, or receive customer service inquiries or claims inquiries, on behalf of the Company.

9. "*Company*" is defined in the Preamble.

10. "*Corrective Action Plan*" or "*CAP*" means the documents, reports and activities required of the Company as expressed in Section D of this Agreement.

11. "*CAP Implementation Audit*" means the audit conducted by the Lead States to determine whether the Company has complied with the implementation deadlines to be set forth in the CAP.

12. "*Department of Insurance*" means a State agency charged with the regulation of the business of insurance, including any Insurance Commissioner, Director, Administrator, Superintendent or other government administrator of similar rank.

13. "*Direct Marketing*" means marketing in which the Company or its Call Centers attempts to contact, contacts or is contacted by potential insureds by telephone, email or mail.

14. "*Direct Marketing Business Unit*" means the Company's business unit that markets Accident and Health Insurance through Direct Marketing, regardless of how the unit is later identified.

15. "*Effective Date*" means the date upon which the conditions set forth in Section E of this Agreement are met.

16. "*Execution Date*" means the last date this Agreement is signed by Chartis Inc. and each Lead State.

17. "*Form*" is defined in Section B.2 of this Agreement.

18. "*Form Filing*" means the process required by a State, if any, for submission or approval of a Form the Company intends to use in that State.

19. "*Group*" means a collection of individuals which is recognized or recognizable by applicable State insurance law as eligible to be covered by a Group Policy or Blanket Policy.

20. "*Group Policy*" means a type of Accident and Health Insurance Policy that covers multiple persons under a single Policy that are part of a Group or Association.

21. "*Lead States*" means the States of Iowa, Ohio, Minnesota, New Jersey and Pennsylvania.

22. "*Managing Lead State*" means the States of Iowa and Ohio prior to the Effective Date and, thereafter, the State of Iowa.

23. "*Monitoring Period*" means the time period commencing as of the Effective Date and continuing for the rest of the calendar quarter in which the Effective Date occurs and through an additional eight consecutive calendar quarters.

24. "*Multistate Examination*" means the multistate market conduct examination of the business practices of the Accident and Health Insurance business of National Union for the period of January 1, 2008 through December 31, 2010 and continuing through the Monitoring Period.

25. "*National Association of Insurance Commissioners*" or "*NAIC*" means the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories.

26. "*National Union*" means National Union Fire Insurance Company of Pittsburgh, Pa.

27. "*Policy*" is defined in Section B.2 of this Agreement.

28. "*Policy Fulfillment*" means the printing, collating, emailing and mailing of new Policy documents to the owner of the Policy.

29. "*Producer*" means any individual or business entity engaged in the sale, solicitation or negotiation of Accident and Health Insurance.

30. "*Rate*" means the cost per unit of exposure for Accident and Health Insurance for a specified risk for a specified period of time.

31. "*Rate Filing*" means the proposed Rate and supporting documentation required by a State to be submitted with a Form the Company intends to use in that State.

32. "*Scope of this Agreement*" means all matters encompassed by the Multistate Examination, including the Corrective Action Plan.

33. "*Signatory State*" means each Lead State and any State that executes the State RSA Adoption Form.

34. "*State*" means one of the 50 states of the United States of America and the District of Columbia that participate in the NAIC and in which the Company is licensed to issue Accident and Health Insurance.

35. "*State RSA Adoption Form*" means the form set forth at Exhibit 7 of this Agreement.

36. "*Trust*" means a legal entity established by the Company to which a Policy is issued. Evidence of coverage under that Policy is then provided to organizations or individuals.

37. "*Vendor*" means an individual or business entity that is not owned by Chartis Inc. and that provides, for Accident and Health Insurance Policies issued by the Company, one or more of the following:

    a. telemarketing or direct mail services;

    b. claims adjudication or settlement services; or

c. Policy Fulfillment or billing and cancellation services.

For purposes of Section B. 37.c., "Vendor" does not include an individual or business entity that is a Producer.

C. RECITALS

1. National Union is a Pennsylvania-domiciled insurer and at all relevant times has been a licensed insurance company in each State.

2. Chartis Inc. is the parent of National Union and each of the insurance companies identified on Exhibit 1 of this Agreement.

3. On September 28, 2010, the Ohio Department of Insurance announced a multistate market conduct examination of National Union for the period of January 1, 2008 through June 30, 2010. The Ohio Department of Insurance had identified certain regulatory issues related to the conduct of the Company's Accident and Health Insurance business, including Rate and Form Filing, Policy Fulfillment, Producer licensing and appointment, and Vendor management. The exam period was extended through December 31, 2010.

4. During the Multistate Examination, National Union entered into two interim consent orders, one dated January 7, 2011 and the other dated February 14, 2012. These interim consent orders, which are attached as Exhibits 2 and 3 of this Agreement, respectively, are superseded by this Agreement. Notwithstanding the foregoing, the Company agrees to abide by the terms of Ordering Point A of the February 14, 2012 interim consent order in each of the Signatory States.

5. The Signatory States find it to be in the public interest to enter into this Agreement to settle all matters encompassed by the Scope of this Agreement. The Company, without admitting liability with respect to any issues encompassed by the Scope of this Agreement, believes that such a settlement is in its best interest.

D. CORRECTIVE ACTION PLAN

Part D-1. Development and Implementation.

1. The Company agrees to draft and submit to the Managing Lead State, within ten business days after the Effective Date, a Corrective Action Plan that addresses the following issues that were identified as a result of the Multistate Examination:

   a. Product Development, Rate Filing, Form Filing and Marketing;

   b. Actuarial Procedures and Premium Allocation;

   c. Marketing of Non-Insurance Services;

   d. Producer Licensing;

   e. Licensing of Claims Processing Entities and Personnel;

   f. Claims Processing;

   g. Vendor Oversight;

   h. Policy Issuance to Groups and Associations;

   i. Use of Trusts;

   j. Record Retention;

   k. Training of Personnel;

   l. Handling of Consumer Complaints; and

   m. Specific Requirements for Direct Marketing:

1) Policy Fulfillment;

2) Telemarketing;

3) Customer Service; and

4) Information Technology.

Part D-2. Implementation Audit.

1. Following the conclusion of the second full calendar quarter after the Effective Date, the Lead States or their designated representatives will conduct a CAP Implementation Audit. The Managing Lead State shall provide the Company with no less than 15 business days' notice of the commencement of the CAP Implementation Audit.

2. While conducting the CAP Implementation Audit, if the Lead States or their designated representatives believe the Company has failed to satisfy an implementation deadline in the CAP, the Managing Lead State will inform the Company and give the Company a reasonable amount of time to respond to the alleged failure. Following the CAP Implementation Audit, the Managing Lead State will deliver to the Company a draft audit report providing the details of the findings. The Company will have 30 calendar days to accept or challenge the audit findings or to request a meeting to discuss the draft audit report. At all times, the Lead States and the Company agree to act in good faith to resolve any findings about exceptions or adverse findings.

3. The Lead States may impose Additional Administrative Penalties for a failure by the Company to satisfy an implementation deadline in the CAP or provide a report required by the CAP. The Managing Lead State will inform the Company

of the imposition of any Additional Administrative Penalty. The maximum amount payable in Additional Administrative Penalties is $21 million. Failure to correct a deficiency leading to the assessment of any Additional Administrative Penalty within 30 calendar days of notice of such assessment may be grounds for immediate commencement of the follow-up examination contemplated in Section E.10 of this Agreement. Any Additional Administrative Penalty, or other administrative order imposed following the CAP Implementation Audit, including any findings upon which any such penalty or order is based, shall be subject to judicial review as provided by law.

Part D-3. Company Audits and Statistical Reports.

1. The Company will prepare a series of statistical reports as described in Exhibits 5 and 6 of this Agreement.
2. The Company will conduct a series of audits as described in Exhibits 5 and 6 of this Agreement.
3. The Company will take corrective action as needed to redress any deficiencies identified through its audits and summarize these actions in a written report to the Lead States.

E. ADMINISTRATIVE PENALTY, EFFECTIVENESS OF THIS AGREEMENT, AND FURTHER EXAMINATION

1. The Company agrees to pay a minimum Administrative Penalty of $39 million. The Company will add an additional $1 million to the minimum Administrative Penalty amount for each Signatory State that is in excess of the minimum number of necessary States for this Agreement to be effective, up to a maximum Administrative Penalty of $51 million. Exhibit 4 of this Agreement sets forth the

allocation of the Administrative Penalty which will be payable if all States execute the Agreement. Only those States which execute this Agreement as Lead States or deliver an executed State RSA Adoption Form to the Managing Lead State on or before the Effective Date will receive a payment under this Agreement.

2. The effectiveness of this Agreement is conditioned on the following:

   a. approval and execution of this Agreement by the Company and by the Lead States, which shall establish the Execution Date; and

   b. timely approval and execution of this Agreement by at least 39 of the 51 States where the Company writes Accident and Health Insurance, or by a lesser number of States as agreed to by the Company and the Lead States.

3. A State must deliver an executed State RSA Adoption Form to the Iowa Insurance Division on or before 45 calendar days after the Execution Date. The Effective Date of this Agreement is 45 calendar days after the Execution Date, provided that at least 39 of the States have become Signatory States and the Iowa Insurance Division provides written notice to the Company that 39 States have become Signatory States. Notwithstanding the foregoing, the Lead States and the Company, by agreement executed by each Lead State and by the Company, may extend the 45-day execution period for additional States.

4. If a Department of Insurance finds that, under applicable law, the preparation and execution of a consent order or other similar document is necessary to carry out the terms of this Agreement, such a consent order or other similar document shall be prepared by the Department of Insurance. For purposes of this

Agreement, where a State requires a consent order or other similar document to be signed by the Company, the State must deliver to the Company a satisfactory consent order or other similar document within 30 calendar days of the Execution Date. If that consent order or other similar document is satisfactory, it must be executed by the Company within 45 calendar days of the Execution Date. The consent order or other similar document must be executed in order for the State to become a Signatory State. A consent order or other similar document shall be satisfactory to the Company if it:

a. incorporates by reference and attaches as an exhibit a copy of this Agreement;

b. expressly adopts and agrees to the provisions of this Agreement; and

c. includes only those additional terms that are legally required in the applicable Signatory State.

5. Following the Effective Date, the Managing Lead State will prepare an allocation table stating the percent and amount of the Administrative Penalty that will be payable to each Signatory State.

6. The Managing Lead State will instruct the Company on the actual amount payable to each Signatory State no later than ten business days after the Effective Date, unless the Company and Managing Lead State agree in writing to an extension.

7. Payment of the Administrative Penalty shall be made by the Company to the Signatory States within 15 business days of receipt of the payment instructions from the Managing Lead State unless the Company and Lead States agree to an

extension. Payment shall be made as directed in each Signatory State's signed State RSA Adoption Form or, for the Lead States, as detailed in Section F of this Agreement.

8. During the Monitoring Period, the Company may be subject to Additional Administrative Penalties, and the Company may also be required to undertake remedial measures. Any Additional Administrative Penalties will be distributed to Signatory States according to the allocation formula determined pursuant to Section E.5 of this Agreement. Payment of the Additional Administrative Penalty shall be made by the Company to the Signatory States within 15 business days of receipt of the payment instructions from the Managing Lead State unless the Company and Lead States agree to an extension.

9. With respect to all matters encompassed within the Scope of this Agreement, the penalties discussed in Sections E.1 and E.8 of this Agreement shall be the sole penalties imposed on the Company. Notwithstanding the foregoing, nothing in this Section E of this Agreement is applicable to, or shall be a limitation on, any future penalty to be imposed after completion of the follow-up examination contemplated in Section E.10 of this Agreement. Any penalty, fine or other administrative order imposed as a result of the follow-up examination shall be subject to judicial review as provided by law.

10. The Lead States will conduct a follow-up examination of the issues addressed by this Agreement and, unless Section E. 11 of this Agreement is triggered, the follow-up examination will review Policies with an effective date, or the Company's activities occurring, on or after January 1, 2014. The follow-up

examination shall be conducted in accordance with the applicable examination laws and regulations and the NAIC's *Market Regulation Handbook* (2011 ed.) and shall follow standards which are consistent with the standards set forth in this Agreement. The follow-up examination will measure the Company against the error tolerance level as expressed in the NAIC's *Market Regulation Handbook* (2011 ed.).

11. The Lead States agree that the follow-up examination will not be commenced until the expiration of the Monitoring Period unless:

    a. grounds for a follow-up examination exist pursuant to Section D, Part D-2.3 of this Agreement; or

    b. the Lead States determine that the Company has failed to substantially comply with a material provision of this Agreement.

F. ADDITIONAL PAYMENT TO LEAD STATES

The Company agrees to pay, in addition to any amount payable as an Administrative Penalty, $100,000.00 each to Iowa and to Ohio as Managing Lead States and $50,000.00 to each of the remaining Lead States as payment for unreimbursed costs of conducting and supervising the Multistate Examination, including the CAP. These payments should be delivered within 15 days of the Effective Date and as instructed below.

Iowa – payable to the Iowa Insurance Division and delivered to:

Rosanne Mead
Iowa Insurance Division
330 Maple St.
Des Moines, IA 50319

Ohio – payable to Treasurer, State of Ohio and delivered to:

Steve Martindale
Ohio Department of Insurance
50 West Town Street, Suite 300
Columbus, OH 43215

Minnesota – payable to the State of Minnesota and delivered to:

Paul Hanson
Minnesota Department of Commerce
Director of Enforcement
85 7th Place East, Suite 500
St. Paul, MN 55101

New Jersey – payable to the State of New Jersey, General Treasury and delivered to:

Anne Marie Narcini
NJ Dept. of Banking & Insurance
Division of Insurance
20 W State St. 9th Floor
PO Box 329
Trenton, NJ 08625-0329

Pennsylvania – payable to Commonwealth of Pennsylvania and delivered to:

Sharon Fraser
Bureau of Market Actions
Pennsylvania Insurance Department
1227 Strawberry Square
Harrisburg, Pennsylvania 17120

The Pennsylvania payment should reference National Union Fire Insurance Company Accident & Health multi-state exam #10-X26-061.

G. RELEASE

1. Each Signatory State releases and discharges the Company, its parents and their respective directors, officers and employees with respect to all damages, penalties, fines, claims, sanctions, losses, demands or other causes of action that such Signatory State could have pursued as a result of any matters encompassed by the Scope of this Agreement or as a result of any practices revealed by the Multistate Examination, to the extent such practices commenced prior to the Effective Date.

2. Notwithstanding the foregoing, this Agreement is not intended to, nor may it be construed to, limit a Signatory State's authority, if any, to investigate and act upon the noncompliance of the Company with insurance laws or regulations regarding matters not within the Scope of this Agreement. Nothing in this Agreement shall be construed to waive or limit any rights the Signatory States may have to regulate the Company or to seek such other remedies for a violation of law.

3. During the Monitoring Period, each of the Signatory States agrees that it:

   a. will not engage in any further investigative or market conduct examination activities relating to matters that are encompassed by the Scope of this Agreement;

   b. will not impose a fine, penalty, injunction or any other remedy on the Company for any of the matters that are encompassed by the Scope of this Agreement; and

c. may only participate in any Administrative Penalty, Additional Administrative Penalty or remedy that may be imposed under this Agreement pursuant to the terms set forth in this Agreement.

4. To the extent permitted by State law, all audit reports, statistical reports, work papers, documents and any other information produced, obtained, or disclosed in connection with the Multistate Examination, including, but not limited to, the CAP or the CAP Implementation Audit, and any follow-up examination of the Company contemplated under this Agreement, regardless of the manner of production or disclosure, shall be given confidential and privileged treatment, shall not be subject to subpoena, and shall not be made public, and are not public records subject to disclosure. Nothing in this Agreement is intended to, nor shall it, preclude Signatory States from disclosing the results of compliance with the Agreement to non-Signatory States that are in compliance with NAIC confidentiality agreements.

H. OTHER PROVISIONS

1. Each person signing on behalf of a Signatory State gives express assurance that, under applicable law, such person has authority to enter into this Agreement.

2. Any action or proceeding to enforce the provisions of this Agreement shall be governed by and interpreted in accordance with the laws and regulations of the State of Iowa, without regard or reference to choice or conflict of laws rules.

3. The Company expressly represents and warrants as of the Execution Date that:

a. it is duly organized and validly existing and subsisting under the laws and regulations of its domestic State;

b. it is in good standing in such State;

c. neither the execution, delivery, nor performance of this Agreement will violate any applicable law;

d. it has the authority to enter into this Agreement; and

e. it has the authority to perform all obligations hereunder.

4. The failure of the Signatory States at any time to require strict performance by the Company of any of the terms, provisions or conditions hereof shall in no way affect the Signatory States' rights to enforce the same, nor shall the waiver by the Signatory States of any breach of the terms, provisions or conditions hereof be construed or deemed a waiver of any succeeding breach of any term, provision or condition hereof.

5. The section headings herein are intended for reference and shall not by themselves determine the construction or interpretation of this Agreement. Unless the context of this Agreement clearly requires otherwise:

a. references to the plural include the singular, the singular the plural, and the part the whole;

b. references to one gender include all genders;

c. "or" has the inclusive meaning frequently identified with the phrase "and/or";

d. "including" has the inclusive meaning frequently identified with the phrases "but not limited to" or "without limitation";

e. references to "hereunder," "herein", or "hereof" relate to this Agreement as a whole; and

f. the terms "dollars" and "$" refer to United States dollars.

6. The Company acknowledges its responsibility for the payment of reasonable examination expenses.

7. To the extent not addressed in an existing consent order with a State, this Agreement represents the entire understanding between the Company and the Signatory States with respect to the subject matter hereof and supersedes any and all prior understandings, agreements, plans, and negotiations, whether written or oral, between the Company and any Signatory State.

8. This Agreement, including any Exhibits, may be amended solely by written agreement between the Lead States and the Company, provided, however, that material modifications to Section E.1, E.2, E.5, E.8, G.1, G.2, G.3, G.4 and H.4 of this Agreement must be in writing and signed by the Company and each Signatory State.

9. This Agreement may be executed in one or more counterparts, all of which shall be deemed an original and all of which, when taken together, shall constitute one and the same Agreement. Execution and delivery of this Agreement may be performed by email or facsimile transmission.

10. In the event the Company believes it will be unable to meet a deadline under the Agreement or the CAP, the Company will promptly, but in no event no less than five business days prior to the deadline in question, inform the Managing Lead State. The Company will use its reasonable best efforts to meet any such

deadline as soon as practicable. The Lead States and the Company agree to work together in good faith in all instances subject to this provision of the Agreement.

11. If a Signatory State believes the Company has failed to satisfy any obligation under this Agreement, the Signatory State shall notify the Managing Lead State and the Company pursuant to Section H.18 of this Agreement, specifying such default. The Company shall use reasonable efforts to cure such default as soon as reasonably practicable. Except as provided in Section D, Part D-2.2 of this Agreement, if the Company fails to remedy such default within 30 days following delivery of notice, the Signatory States may seek administrative or judicial enforcement of this Agreement, including, but not limited to, additional remedial action or administrative penalties or fines.

12. Nothing contained in this Agreement shall confer any rights upon any persons or entities other than the Signatory States and the Company.

13. The Company shall not seek or accept, directly or indirectly, indemnification pursuant to any insurance policy, with regard to any or all of the amounts the Company must pay pursuant to this Agreement. However, nothing herein shall prevent the Company from seeking indemnification or other remedies from any third party.

14. This Agreement shall be binding on and inure to the benefit of the Signatory States, the Company and their respective legal representatives, successors and assigns.

15. The Lead States and the Company may mutually agree, in writing, to any reasonable extensions of time that might become necessary to carry out the provisions of this Agreement.

16. Nothing in this Agreement or any of its terms and conditions shall be interpreted to alter in any way the terms of any Accident and Health Insurance Policy.

17. Nothing in this Agreement shall be interpreted to release the Company from its obligation to pay claims in accordance with Policy provisions. Further, nothing in this Agreement shall be interpreted to relieve the Company of its obligations to process consumer complaints in accordance with applicable law.

18. Except as otherwise provided herein, any notice required to be given to the Managing Lead State or the Company shall be sufficient if delivered in writing to the address below and if confirmation of delivery is obtained. Delivery may be made by facsimile transmission, courier service, hand delivery, or first-class certified or registered mail.

If to the Company:

180 Maiden Lane
New York, New York 10038
Attn: General Counsel
Facsimile Number 212.458.7082

If to the Managing Lead State:

Iowa Division of Insurance
Office of the Commissioner
330 Maple Street
Des Moines, IA 50319
Facsimile Number 515.281.3059

Upon mutual written agreement between the Company and the Iowa Insurance Division, delivery may be made by electronic mail.

19. In the event that any portion of this Agreement is held invalid under any particular State's law as it is relevant to a Signatory State, such invalid portion shall be deemed to be severed only in that State and all remaining provisions of this Agreement shall be given full force and effect and shall not in any way be affected thereby.

20. Except as specifically set forth herein, the Company understands and agrees that by entering into this Agreement, the Company waives any and all rights to notice, hearing and appeal respecting this Agreement under the applicable laws and regulations of the Signatory States.

I. SIGNATURE PAGES

Chartis Inc. Signature Page

I, Peter D. Hancock, hereby affirm that I am the Chief Executive Officer of Chartis Inc., and have the authority to execute this Agreement on behalf of the Company, as defined in the Preamble.

Dated this _____ day of _____, 2012.

_____

Peter D. Hancock

Lead States Signature Page

IOWA INSURANCE DIVISION

By:_____
Susan E. Voss, Commissioner

Date: _____

Iowa Insurance Division
330 Maple St.
Des Moines, IA 50319

OHIO DEPARTMENT OF INSURANCE

By:_____
Mary Taylor, Lt. Governor/Director

Date: _____

Ohio Department of Insurance
50 West Town Street
3rd Floor, Suite 300
Columbus, OH 43215

MINNESOTA DEPARTMENT OF COMMERCE

By:_____
Mike Rothman, Commissioner

Date: _____

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101

NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE

By: _____
Kenneth E. Kobylowski, Acting Commissioner

Date: _____

NJ Dept. of Banking & Insurance
Division of Insurance
20 W State St, 9th Floor
PO Box 329
Trenton, NJ 08625-0329

PENNSYLVANIA INSURANCE DEPARTMENT

By: _____
Ronald Gallagher, Deputy Insurance Commissioner

Date: _____

Pennsylvania Insurance Department
1209 Strawberry Square
Harrisburg, PA 17120

J. EXHIBITS

EXHIBIT 1 LIST OF CHARTIS INC. INSURANCE COMPANY SUBSIDIARIES SUBJECT TO THIS AGREEMENT

EXHIBIT 2 JANUARY 2011 INTERIM CONSENT ORDER

EXHIBIT 3 FEBRUARY 2012 INTERIM CONSENT ORDER

EXHIBIT 4 ALLOCATION OF PENALTY

EXHIBIT 5 GUIDELINES FOR REQUIRED REPORTING

EXHIBIT 6 SCHEDULE FOR COMPANY AUDITS

EXHIBIT 7 STATE RSA ADOPTION FORM

EXHIBIT 1. LIST OF CHARTIS INC. INSURANCE COMPANY SUBSIDIARIES SUBJECT TO THIS AGREEMENT

1. American Home Assurance Company (NAIC Company Code 19380)

2. Chartis Casualty Company (f/k/a American International South Insurance Company) (NAIC Company Code 40258)

3. Chartis Property Casualty Company (f/k/a AIG Casualty Company, f/k/a Birmingham Fire Insurance Company of Pennsylvania) (NAIC Company Code 19402)

4. Commerce and Industry Insurance Company (NAIC Company Code 19410)

5. Granite State Insurance Company (NAIC Company Code 23809)

6. Illinois National Insurance Co. (NAIC Company Code 23817)

7. National Union Fire Insurance Company of Pittsburgh, Pa. (NAIC Company Code 19445)

8. New Hampshire Insurance Company (NAIC Company Code 23841)

9. The Insurance Company of the State of Pennsylvania (NAIC Company Code 19429)

EXHIBIT 2. JANUARY 2011 INTERIM CONSENT ORDER

STATE OF OHIO
DEPARTMENT OF INSURANCE
50 W. Town St.
Columbus, Ohio 43215

IN THE MATTER OF:	:	MARY JO HUDSON SUPERINTENDENT OF
NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.	:	INSURANCE
NAIC # 19445	:	INTERIM CONSENT ORDER

The Superintendent of the Ohio Department of Insurance ("Department") is responsible for administering Ohio insurance laws pursuant to Section 3901.011 of the Ohio Revised Code ("R.C."). National Union Fire Insurance Company of Pittsburgh, Pa. ("Company") is authorized to engage in the business of insurance in the State of Ohio and, as such, is under the jurisdiction of the Superintendent and the Department. The Department recently commenced an examination of the Company's Accident and Health Division for the period of January 1, 2008 through June 30, 2010. The examination is still ongoing, but interim findings warrant action at this time. The Superintendent makes the following findings:

1. The Company is a member company of Chartis U.S., Inc. The Accident and Health Division is a Division of Chartis U.S., Inc. and within the Accident and Health Division is a Direct Marketing Business Unit ("Direct Marketing Business Unit").

2. This Interim Consent Order is based on the Department's examination of products sold through the Direct Marketing Business Unit to customers of certain banking institutions.

3. The Department alleges that in certain instances, coverage under policies that were filed, approved, issued and used as blanket accident/sickness policies were marketed to individuals. The Department alleges that this practice constituted a violation of its laws concerning filing and approval of policies.

4. The Department and the Company enter into this Consent Order as an interim step to define certain actions that shall be taken while the examination proceeds.

NOW, THEREFORE, IT IS ORDERED that:

A. The Direct Marketing Business Unit shall immediately cease marketing coverage under policies that were filed and approved as blanket accident/sickness policies to individuals as described in Paragraph #2 of this Order.

B. By July 8, 2011, the Direct Marketing Business Unit shall complete an audit of its products marketed to banking institutions and shall submit to the Department a report of the audit results. The Direct Marketing Business Unit will also submit a plan to ensure that insurance products sold to consumers of banking institutions will only be marketed in accordance with the form filing requirements and laws of each jurisdiction. The plan shall also include a proposal to correct any existing form filings, as necessary.

C. The Direct Marketing Business Unit shall implement all measures enumerated in this Consent Order in all United States jurisdictions in which it does business.

D. By entering into this stipulation, the Company does not admit or acknowledge any of the Superintendent's findings or allegations as accurate or true. Neither this Consent Order, nor any related negotiations or statements shall be offered by the Department as evidence of or an admission or concession of any liability or wrongdoing whatsoever on the part of any person or entity, including, but not limited to the Company or its affiliates, or as a waiver by the Company or its affiliates of any applicable defense, including without limitation any applicable statute of limitations or statute of frauds.

E. This Consent Order shall be considered a public document to the extent required by the applicable laws in Ohio.

Dated this 7th day of January, 2011.

Mary Jo Hudson
Superintendent of Insurance

Copies to:

Iowa Insurance Commissioner Susan Voss
Minnesota Insurance Commissioner Glenn Wilson
New Jersey Commissioner Thomas Considine
Acting Pennsylvania Insurance Commissioner Robert Pratler
Gary Hernandez, Counsel for National Union Fire Insurance Company of Pittsburgh, Pa.

Acknowledgement and Agreement:

1. The Company has been advised that it has the right to a hearing before the Superintendent pursuant to R.C. Chapter 119; that, at a hearing, the Company would be entitled to appear in person, to be represented by an attorney, or other representative who is permitted to practice before the Superintendent; and that, at a hearing, the Company would be entitled to present its position, arguments or contentions in writing and to present evidence and examine witnesses appearing for and against the Company. The Company hereby waives all such rights.

2. The Company consents to the jurisdiction of the Superintendent and the Department to determine the issues set forth herein. The Company expressly waives any prerequisites to jurisdiction that may exist.

3. The Company waives any and all causes of action, claims or rights, known or unknown, that the Company may have against the Department, and any employees, agents, consultants, contractors or officials of the Department, in their individual and official capacities, as a result of any acts or omissions on the part of such persons or firms arising out of this matter.

4. The Company has read and understands this Consent Order. The Company further understands that it has the right to seek legal counsel of its choice and to have legal counsel review this Consent Order.

Date: 1/7/11

Name: Adam C. Reed

Title: Assistant Vice President

National Union Fire Insurance
Company of Pittsburgh, Pa.

EXHIBIT 3. FEBRUARY 2012 INTERIM CONSENT ORDER

STATE OF OHIO
DEPARTMENT OF INSURANCE
50 W. Town St.
Columbus, Ohio 43215

IN THE MATTER OF:	:	
	:	
NATIONAL UNION FIRE INSURANCE	:	
COMPANY OF PITTSBURGH, PA.	:	
NAIC # 19445	:	INTERIM CONSENT ORDER

The Ohio Department of Insurance (the "Department") is responsible for administering Ohio insurance laws pursuant to Section 3901.011 of the Ohio Revised Code ("R.C."). National Union Fire Insurance Company of Pittsburgh, Pa. (the "Company") is authorized to engage in the business of insurance in the State of Ohio and, as such, is under the jurisdiction of the Department. On September 28, 2010, the Department commenced an examination of the Company's Accident and Health Division for the period of January 1, 2009 through December 31, 2010. The examination is still ongoing and the Department makes the following findings regarding the Company's actions, some or all of which occurred in the State of Ohio:

1. The Company is a member company of Chartis U.S., Inc. The Accident and Health Division is a Division of the Chartis U.S., Inc., and within the Accident and Health Division is the Direct Marketing Business Unit (the "Direct Marketing Business Unit") which markets and sells some of the Company's accident and health insurance products through direct mail and telemarketing campaigns (the "Products").

2. On November 1, 2011, the Company ceased its direct mail campaigns through its Direct Marketing Business Unit.

3. This Interim Consent Order is based on the Department's continuing examination of the Company's compliance with laws and regulations concerning the Products marketed and sold through the Direct Marketing Business Unit.

4. The Department alleges that in certain instances the Company, through the Direct Marketing Business Unit, marketed and sold non-employer group policies for which premium rates and the classification of risks pertaining thereto had not been approved.

5. The Department and the Company enter into this Consent Order as an interim step to define certain actions that shall be taken while the examination proceeds.

NOW, THEREFORE, IT IS ORDERED that:

A. The Direct Marketing Business Unit's marketing of Accident and Health Insurance products shall be limited to outbound telemarketing of forms and rates referenced in SERFF No. #AGDE-127951179. Unless otherwise agreed, the Direct Marketing Business Unit will only market the forms and rates referenced in SERFF No. #AGDE-127951179 through December 31, 2012.

B. The Direct Marketing Business Unit may market via direct mail, telemarketing or otherwise, other products that have been filed and approved as required, provided that the approval has been issued after March 1, 2012.

C. The Direct Marketing Business Unit shall implement all measures enumerated in this Consent Order in each jurisdiction in which it does business and, consistent with the terms of this Consent Order, may resume marketing activities in each jurisdiction in which it does business consistent with applicable law.

D. By entering into this Consent Order, the Company does not admit or acknowledge any of the Department's findings or allegations as accurate or true.

Dated: 2/14/12

Mary Taylor
Lt. Governor/Director

Copies to:
Susan E. Voss, Iowa Insurance Commissioner
Michael F. Consedine, Pennsylvania Insurance Commissioner
Mike Rothman, Minnesota Insurance Commissioner
Thomas B. Considine, New Jersey Commissioner
Elizabeth A. Tosaris, Esq., Counsel for National Union Fire Insurance Company of Pittsburgh, Pa.
Sean McEneaney, Esq., Counsel for National Union Fire Insurance Company of Pittsburgh, Pa.

Acknowledgement and Agreement:

1. The Company has been advised that it has the right to a hearing before the Department pursuant to R.C. Chapter 119; that, at a hearing, the Company would be entitled to appear in person, to be represented by an attorney or other representative who is permitted to practice before the agency; and that, at a hearing, the Company would be entitled to present its position, arguments or contentions in writing and to present evidence and examine witnesses appearing for and against the Company. The Company hereby waives all such rights.

2. The Company hereby waives any appeal rights it may have pursuant to Section 119.12 of the Revised Code.

3. The Company consents to the jurisdiction of the Department to determine the issues set forth herein. The Company expressly waives any prerequisites to jurisdiction that may exist.

4. The Company waives any and all causes of action, claims or rights, known or unknown, that the Company may have against the Department, and any employees, or officials of the Department, in their individual and official capacities, as a result of any acts or omissions on the part of such persons or firms arising out of this matter.

5. The Company has read and understands this Consent Order. The Company further understands that it has the right to seek legal counsel of its choice and to have legal counsel review this Consent Order.

6. This Consent Order shall be entered into the Journal of the Ohio Department of Insurance. The Company understands and acknowledges that this Consent Order is a public document pursuant to Section 149.43 of the Revised Code.

7. The person signing on behalf of the Company affirms that he or she has the authority to execute this Consent Order on behalf of the Company.

Date: 2/3/12

Name: Adam Reed

Title: Assistant Vice President

National Union Fire Insurance Company of Pittsburgh, Pa.

EXHIBIT 4. ALLOCATION OF PENALTY

The following chart demonstrates the amount payable to each Signatory State if all States execute the Agreement. The percentage payable per State was determined by applying an allocation formula to the total 2010 accident and health premiums for National Union. The final distribution schedule and percentage allocations will be prepared after the total number of Signatory States is finalized.

Exhibit 4 Chart $51 Million 51 Signatory States

State	Percent*	Penalty
Alabama	1.53%	$781,554
Alaska	0.23%	$118,321
Arizona	1.79%	$911,443
Arkansas	0.91%	$464,563
California	11.95%	$6,096,777
Colorado	1.52%	$776,346
Connecticut	1.10%	$560,032
Delaware	0.45%	$231,956
Dist Columbia	0.29%	$148,334
Florida	5.73%	$2,924,189
Georgia	4.30%	$2,193,403
Hawaii	0.37%	$188,673
Idaho	0.66%	$338,550
Illinois	4.43%	$2,258,834
Indiana	2.14%	$1,093,045
Iowa	0.91%	$464,694
Kansas	0.85%	$433,382
Kentucky	1.28%	$652,345
Louisiana	1.61%	$821,878
Maine	0.37%	$189,003
Maryland	1.76%	$896,401
Massachusetts	2.16%	$1,102,032
Michigan	2.80%	$1,425,992
Minnesota	1.53%	$777,937
Mississippi	0.85%	$435,338
Missouri	1.67%	$851,068
Montana	0.28%	$140,827
Nebraska	0.73%	$370,307
Nevada	0.85%	$435,407
New Hampshire	0.38%	$195,037
New Jersey	2.44%	$1,244,203
New Mexico	0.96%	$487,184
New York	6.96%	$3,549,406
North Carolina	4.02%	$2,050,525
North Dakota	0.20%	$100,487
Ohio	3.35%	$1,706,266
Oklahoma	1.22%	$623,800
Oregon	1.08%	$549,060
Pennsylvania	4.34%	$2,213,613
Rhode Island	0.29%	$146,558
South Carolina	1.55%	$791,310
South Dakota	0.34%	$173,046
Tennessee	2.15%	$1,095,937
Texas	7.62%	$3,887,095
Utah	0.79%	$405,121
Vermont	0.17%	$88,675
Virginia	2.38%	$1,212,933
Washington	2.39%	$1,217,276
West Virginia	0.52%	$265,423
Wisconsin	1.63%	$831,003
Wyoming	0.16%	$83,411
Total	100.00%	$51,000,000

* Percentages rounded for presentation

EXHIBIT 5. GUIDELINES FOR REQUIRED REPORTING

A. During the Monitoring Period, the Company will submit statistical and audit reports to the Lead States. Each report will be due within 30 calendar days (or the next business day if the due date falls on a weekend or holiday) of the end of the calendar quarter in which the audit is to be conducted or the end of the calendar quarter covered by the statistical report. The confidentiality of all such reports shall be protected consistent with Section G.4 of this Agreement. Reports may be electronically delivered. Where appropriate, the Company will report results by each individual company that is listed in Exhibit 1 of this Agreement.

B. The Lead States shall have the full authority to oversee and monitor compliance with this Agreement, including, but not limited to, assigning examiners to assess the accuracy of any reports and to assess the Company's compliance with the CAP by conducting sampling in accordance with accepted standards. The Lead States will discuss the selection of any such examiners with the Company.

C. The Company agrees to meet with the Lead States on a mutually convenient date within 30 calendar days following the end of the fourth full calendar quarter of the Monitoring Period. In addition, should the Lead States request, the Company agrees to meet with the Lead States within 15 calendar days of submitting any report due under this Agreement.

D. Unless agreed otherwise, the following guidelines for report format shall be followed:

1) All statistics shall be prepared and submitted electronically in Excel format.

2) Each chart or narrative report shall include an analysis of the information submitted. The report will indicate the action, if any, to be taken by the Company in response to the report.

EXHIBIT 6. SCHEDULE FOR COMPANY AUDITS AND STATISTICAL REPORTS

Section A. Schedule for Company Audits

The Company, through its internal audit staff (or similar designee), will perform the following audits.

1. In the fifth full calendar quarter of the Monitoring Period, the audits will address the following subjects and will be based on a statistically valid sample of new Policies issued through its Direct Marketing Business Unit in the third and fourth full calendar quarters of the Monitoring Period:

    a. Policy Fulfillment;

    b. Marketing of non-insurance benefits;

    c. Recording of sales calls; and

    d. Marketing to Groups and Associations.

2. In the sixth full calendar quarter of the Monitoring Period, the audit will address:

    a. Producer licensing requirements;

    b. Rate Filing and Form Filing;

    c. Consumer complaint handling;

    d. Claims adjudication; and

    e. Licensing of claims processing personnel.

With respect to audit categories 2.a and 2.b above, the audit will be based on a statistically valid sample of new Policies issued by the Company in the fourth and fifth full calendar quarters of the Monitoring Period. With respect to audit category 2.c above, the audit will be based on a statistically valid sample of complaint activity occurring in the fourth and fifth full calendar quarters of the Monitoring Period. With

respect to audit categories 2.d and 2.e above, the audit will be based on a statistically valid sample of claims activity on Policies issued through the Direct Marketing Business Unit, occurring in the fourth and fifth full calendar quarters of the Monitoring Period.

Section B. Schedule for Statistical Reports

1. Within 30 days following the end of the fourth and sixth full calendar quarters of the Monitoring Period, the Company will deliver a report, in each respective quarter, to the Lead States regarding Call Centers and telemarketing of its Direct Marketing Business Unit.

2. Within 30 days following the end of the fifth full calendar quarter of the Monitoring Period, the Company will deliver a report to the Lead States listing all advertising and marketing materials reviewed by the Direct Marketing Business Unit in the fifth full calendar quarter of the Monitoring Period.

EXHIBIT 7. STATE RSA ADOPTION FORM

Adoption Of
Chartis Inc. and National Union Fire Insurance Company of Pittsburgh, Pa.
Regulatory Settlement Agreement

On behalf of the_____of_____
(State/Commonwealth, etc.)

I, _____ hereby adopt, agree, and
(Typed or printed name of regulatory official)

approve this Regulatory Settlement Agreement.

Dated this _____ day of _____ 2012.

By:_____
(Signature)

_____
(Typed or printed Title)

_____
(Name of Insurance Regulatory Agency)

Payment and delivery instructions: Unless otherwise specified, funds payable under this Agreement should be delivered to the above-named State at the address below. Electronic funds delivery is available upon request.

The check should be made payable to:

_____.

Attention: _____

Address 1: _____

Address 2: _____

City: _____ State:___ Zip Code:_____