

**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

TO: Federal Insurance Company,
A Member of Chubb Group of Insurance Companies
15 Mountain View Rd.
P.O. Box 1615
Warren, NJ 07061-1615

RE: Federal Insurance Company (NAIC #20281)
Missouri Market Conduct Examination 0612-71-PAC

**STIPULATION OF SETTLEMENT
AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by Douglas M. Ommen, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, hereinafter referred to as "Director," and Federal Insurance Company (hereinafter "Federal"), as follows:

WHEREAS, Douglas M. Ommen is the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereafter referred to as "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, Federal has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Department conducted a Market Conduct Examination of Federal and prepared report number 0612-71-PAC; and

WHEREAS, the report of the Market Conduct Examination revealed that:

1. In some instances, Federal's applications for coverage showed that the question relating to prior declinations, cancellations or non-renewals for life or health insurance were answered, in violation of §375.936(11)(f), RSMo, and MDI Bulletin 94-04.

2. In some instances, Federal failed to document the application of schedule and experience mods, as required by §287.955(3), RSMo, 20 CSR 300-2.200(2) and (3), 20 CSR 500-4.100(7)(D), and DIFP Bulletin 99-02.

3. In some instances, Federal failed to give a clear and specific reason for non-renewal, as required by §379.885, RSMo, and 20 CSR 300-2.200(2).

4. In some instances, Federal failed to produce the proof of mailing of some of its the non-renewals, in violation of §§379.883(3), 379.885, RSMo, and 20 CSR 300-2.200(2).

WHEREAS, Federal hereby agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those corrective actions at all times, including, but not limited to, taking the following actions:

1. Federal agrees to take corrective action to assure that the errors noted in the above-referenced market conduct examination reports do not recur; and

2. Federal agrees to file documentation of all remedial actions taken by it to implement compliance with the terms of this Stipulation and to assure that the errors noted in the examination report do not recur, including explaining the steps taken and the results of such actions, with the Director within 60 days of the entry of a final Order closing this examination.

WHEREAS, Federal neither admits nor denies the findings or violations set forth above and enumerated in the examination report; and

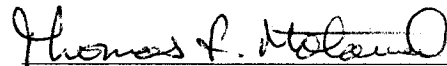
WHEREAS, Federal is of the position that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed factual and legal allegations, and that payment of a forfeiture is merely to resolve the disputes and avoid litigation; and

WHEREAS, Federal, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, Federal hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0612-71-PAC further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$5,900.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of Federal to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Federal does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director and does surrender and forfeit the sum of \$5,900, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: January 28, 2008



President
Federal Insurance Company