

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903**

IN THE MATTER OF:

**THE BEACON MUTUAL INSURANCE COMPANY,
RESPONDENT**

DBR NO. 06-I-0052

CONSENT ORDER

It is hereby agreed between the Department of Business Regulation (“Department”) and The Beacon Mutual Insurance Company (“Respondent”) as follows:

1. Pursuant to R.I. Gen. Laws § 27-13.1-4, in September 2005, the Department initiated a Market Conduct Examination (the “Examination”) of Respondent in order to determine Respondent’s compliance with the Rhode Island insurance laws concerning pricing of workers’ compensation insurance.

2. The Examination was completed and a report was issued on April 20, 2007 (the “Report”).

3. On June 29, 2007, pursuant to R.I. Gen. Laws § 27-13.1-5(b), Respondent submitted written comments to the Report (the “Response”).

WHEREFORE, based on the foregoing, Respondent and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following resolution:

1. Respondent agrees to implement and complete procedures to address each of the recommendations detailed in the Report. The Department agrees that the responses to the recommendations of the Report detailed in the Response constitute compliance with the requirements of R.I. Gen. Laws § 27-13.1-5(b). The Department will monitor compliance with the Respondent's plan delineated in the response to ensure compliance on an ongoing basis. The parties agree that noncompliance could result in the institution of further administrative proceedings pursuant to R.I. Gen. Laws § 42-35-1 *et seq.*

2. In making this agreement Respondent does not admit to any violations of statute, however, agrees to abide by the interpretations of the insurance laws as set forth in the Report on an ongoing basis.

3. Respondent agrees to an administrative penalty, pursuant to R.I. Gen. Laws § 42-14-16, in the amount of Two Million Five Hundred Thousand Dollars (\$2,500,000) to be paid to the General Treasurer of the State of Rhode Island as follows: (i) Five Hundred Thousand Dollars (\$500,000) shall be paid within thirty (30) days of the date of this Order; and (ii) Five Hundred Thousand Dollars (\$500,000) shall be paid on or before December 15, 2007. The remainder of the administrative penalty, in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) is suspended and will either be withdrawn or reinstated upon the following conditions:

A. By March 31, 2009, the director shall issue an order withdrawing the suspended portion of the penalty, if the director, in the director's sole discretion, determines that Respondent timely complied in all material respects with all of the corrective actions required by this Consent Order

and timely paid the One Million Dollar (\$1,000,000.00) portion of the civil penalty.

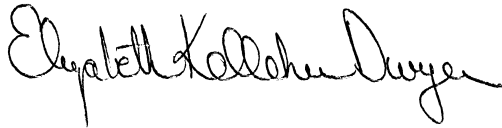
B. If Respondent fails to materially comply with a corrective action required by this Consent Order or fails to timely pay the One Million Dollar (\$1,000,000.00) portion of the civil penalty, then any or all of the suspended portion of the civil penalty shall become payable, at the sole discretion of the director, within 30 days after Respondent receives notice and an opportunity for a hearing as specified in R.I. Gen. Laws § 42-35-1 *et seq.* The only issue at any such hearing is whether Respondent has failed to comply with the terms of this Consent Order. Respondent waives any right to contest the amount of civil penalty after a determination is made that Respondent is not in compliance with the terms of this Consent Order.

4. Respondent and Department have further agreed that Respondent shall distribute approximately Seven Million Dollars (\$7,000,000) (the "Policyholders' Pool") to Eligible Policyholders. Eligible Policyholders shall be policyholders whose insurance policies had a commencement date from October 1, 2005, through September 30, 2006 (the "Applicable Period") and remained in full force for at least six (6) months of the policy period. The Policyholders' Pool shall be distributed to Eligible Policyholders in accordance with criteria developed by the Department. Eligible Policyholders shall be paid upon the completion of their policy audit but in no event later than March 31, 2008. Amounts due to Respondent from Eligible Policyholders may be offset against the amount due pursuant to this Consent Order.

5. Successful completion by the Respondent of its obligations pursuant to this Consent Order is hereby deemed full and complete satisfaction of the rights and remedies of all parties with regard to all violations cited in the Report.

Counsel for the Department and Respondent hereby consent and agree to the foregoing on behalf of their respective clients the 27th day of July, 2007.

THE DEPARTMENT OF BUSINESS
REGULATION
By Its Attorney,



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THE BEACON MUTUAL INSURANCE
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By Its Attorneys,

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I hereby adopt the findings of the Examination report pursuant to R.I. Gen. Laws § 27-13.1-5(c)(1) and approve of the foregoing Consent Order, adopt its contents and enter this as an Order of the Department this 27th day of July, 2007.



A. Michael Marques
Director

THIS DECISION CONSTITUTES A FINAL ORDER OF THE DEPARTMENT OF BUSINESS REGULATION PURSUANT TO RHODE ISLAND GENERAL LAWS TITLE 42 CHAPTER 35. AS SUCH, THIS DECISION MAY BE APPEALED TO THE SUPERIOR COURT SITTING IN AND FOR THE COUNTY OF PROVIDENCE WITHIN THIRTY (30) DAYS OF THE DATE OF THIS ORDER. SUCH APPEAL, IF TAKEN, MAY BE COMPLETED BY FILING A PETITION FOR REVIEW IN SAID COURT.