

## MULTI-STATE MARKET CONDUCT REGULATORY AGREEMENT

This Multi-State Market Conduct Regulatory Agreement (the "Agreement") is entered into between and among Homesite Insurance Company of the Midwest (NAIC #13927), Homesite Indemnity Company (NAIC #20419), Homesite Insurance Company (NAIC #17221), Homesite Insurance Company of California (NAIC #11005), Homesite Insurance Company of Florida (NAIC #11156), Homesite Insurance Company of Georgia (NAIC #10745), Homesite Insurance of Illinois (NAIC #11016), Homesite Insurance Company of New York (NAIC #10986), and Homesite Lloyd's of Texas (NAIC #11237), (collectively, "the Homesite Companies"), the Commissioner of the Connecticut Insurance Department, the Director of the Illinois Department of Insurance, the Commissioner of the Minnesota Department of Commerce, the Director of the Missouri Department of Insurance, the Commissioner of the North Dakota Insurance Department, the Associate Director and Superintendent of Insurance of the Rhode Island Department of Business Regulation, Division of Insurance and the Commissioner of the West Virginia Offices of the Insurance Commissioner (collectively the "Lead Regulators"), and the insurance regulators of each of the remaining jurisdictions listed on **Exhibit A** attached hereto and incorporated by reference that agree to approve this Agreement (the "Participating Regulators") (the Lead Regulators and Participating Regulators are collectively referred to herein as "Signatory Regulators") (Homesite and the Signatory Regulators are collectively referred to herein as the "Parties").

### I. RECITALS

**A.** The Lead Regulators, facilitated by the Market Actions Working Group ("MAWG") of the National Association of Insurance Commissioners ("NAIC") began a multi-state analysis of the Homesite Companies based upon reported complaint data, market analysis and findings of market conduct examinations. The analysis focused on the Homesite Companies' compliance with certain insurance laws of the various jurisdictions.

**B.** In November 2013, the Homesite Companies began cooperating and working with MAWG regarding this multi-state analysis. The analysis has identified areas of concern involving multiple jurisdictions primarily related to the Homesite Companies' timeliness of complaint and claims handling as well as other insurance administrative practices and, compliance of those practices with the laws of the applicable jurisdictions, some of which are included in findings made by certain Signatory Regulators' market conduct examinations.

**C.** The Lead Regulators were designated to negotiate an agreement with the Homesite Companies that would include a framework for reviewing the Homesite Companies' efforts to address the multi-state areas of concern by measuring the Homesite Companies' performance against agreed upon standards.

**D.** The Homesite Companies acknowledge that certain Signatory Regulators' examination reports identified violations of insurance laws and regulations. The Homesite Companies neither admit nor deny the regulatory findings and desire to enter into this Agreement in order to promote regulatory efficiency, to avoid disruption to insureds, and are willing and desirous to resolve all multi-state areas of concern.

## II. AGREEMENTS

### A. Agreements by the Homesite Companies.

1. **Multi-State Areas of Review.** The Lead Regulators have identified certain areas of concern that the Homesite Companies have agreed should be subject to review on a collaborative basis for the benefit of the Participating Regulators (the "Multi-State Areas of Review"). The Multi-State Areas of Review are set forth in **Exhibit B** to this Agreement.

2. **Amendments to the Multi-State Areas of Review.** The Homesite Companies agree that a Signatory Regulator may seek to add an additional area of review by bringing it to the attention of the Lead Regulators with supporting documentation. The Lead Regulators, in consultation with the Homesite Companies and upon a determination that the additional area of review impacts sufficient multiple jurisdictions, may add the additional area of review to the Multi-State Areas of Review and develop appropriate standards and timelines for determining compliance with this Agreement.

3. **Benchmarks and Compliance.** The Homesite Companies agree that compliance with the Agreement will be measured against the benchmarks developed by the Lead Regulators and the Homesite Companies as set forth in **Exhibit C** to this Agreement (the "Benchmarks"). The Benchmarks shall be measured against the performance of the Homesite Companies in the jurisdictions of the Signatory Regulators on a cumulative basis.

4. **Training.** The Homesite Companies' claim personnel shall be provided appropriate training designed to educate them on the responsibilities arising from the Multi-State Areas of Review and the corrective measures set forth in this Agreement. The Homesite Companies will also assure that any person adjusting claims, whether employees or independent contractors, will have received this training.

5. **Corrective Action Plan.** The Homesite Companies agree to take remedial measures which are contained in a Corrective Action Plan (the "CAP"). The CAP shall be administered as part of an ongoing examination as set forth in Section III.D and shall include, among other things, the following testing and reporting to the Lead Regulators for purposes of monitoring and verifying achievement of the Benchmarks and compliance with the Agreement.

a. **Test Plans.** The Homesite Companies shall employ certain agreed upon procedures and standards for testing and reporting their performance against the Benchmarks (the "Test Plans") which shall be incorporated into and made a part of the CAP.

b. **Progress Reports.** The Homesite Companies agree to report to the Lead Regulators twice per twelve (12) month reporting period to update their progress on implementing the terms of the Agreement and address any changes pursuant to Section II.A.2. or other issues relative to the implementation of or performance under the Agreement (the "Progress Reports"). Each Progress Report shall be due and delivered to the Lead

Regulators within thirty (30) days of the end of each reporting period with the first report covering the first six (6) months.

- c. **Compliance Reports.** The Homesite Companies agree to report to the Lead Regulators their performance in achieving the Benchmarks pursuant to the Test Plans for two (2) twelve (12) month reporting periods (the "Compliance Reports"). Each Compliance Report shall be due and delivered to the Lead Regulators within sixty (60) days of the end of each twelve (12) month reporting period.

## **B. Agreements by the Signatory Regulators.**

1. **Resolution of All Issues.** By entering into this Agreement, the Signatory Regulators and the Homesite Companies intend to resolve all the concerns addressed in the Multi-State Areas of Review, including any alleged violations of laws and regulations. The Signatory Regulators agree that this Agreement shall be deemed a complete settlement and full and final resolution, and is in lieu of any disciplinary, legal, regulatory or enforcement action(s) that could have been taken by any Signatory Regulator, relating to the concerns addressed by the Multi-State Areas of Review and arising out of any alleged violations of any laws, regulations or administrative orders issued or which could have been issued by the Signatory Regulators through the Term.

2. **Monitoring, Verification and Consultation.**

- a. **Monitoring.** The Lead Regulators, on behalf of and for the benefit of the Signatory Regulators, have agreed to the Test Plans and will monitor the Homesite Companies' compliance with the terms of the Agreement and achievement of the Benchmarks.
- b. **Verification.** The Lead Regulators, in consultation with the Homesite Companies, shall retain the services of an independent examiner (the "Examiners") for the purpose of assisting them in verifying the Homesite Companies' compliance with this Agreement. The Examiners' responsibilities shall be limited to verifying the testing and reporting methodology and confirming the accuracy of the Compliance Reports.
- c. **Consultation.** The Lead Regulators agree to meet and consult with the Homesite Companies to review their preliminary findings or determinations with respect to the Compliance Reports and the Homesite Companies' achievement of the Benchmarks. The Lead Regulators agree to give reasonable consideration to any issues raised, including the existence of catastrophic or other events beyond the reasonable control of the Homesite Companies before final determinations are made or Performance Penalties are assessed.

3. **Jurisdiction Specific Compliance.** If, at the end of the Term, the Lead Regulators, in consultation with other Participating Regulators, determine that the Homesite Companies are in compliance with the Benchmarks but that there are deficiencies involving compliance with respect to the Multi-State Areas of Review in a particular jurisdiction of a Signatory Regulator, the Homesite Companies agree to work with that Signatory Regulator to address and resolve the issues, including the development of an individual jurisdiction process improvement plan. In the event that the Signatory Regulator and the Homesite Companies cannot resolve such issues, the Signatory Regulator may take other appropriate action within the context of that jurisdiction's laws, including the calling of a targeted market conduct examination the scope of which shall not include periods prior to the Effective Date.

4. **Regulatory Participation and Forbearance.** During the Term of this Agreement, each of the Signatory Regulators agrees that his or her regulatory agency (i) will not engage in any investigative or examination activities of the Homesite Companies relating to the issues subject to the Multi-State Areas of Review and (ii) will not impose a fine, injunction or any other remedy on any of the Homesite Companies for any of the matters that are the subject matter of the Multi-State Areas of Review, and (iii) may only participate on terms set forth in this Agreement in any remedy that may be imposed under this Agreement. This Agreement shall not be construed to prohibit a Signatory Regulator from taking administrative action to require compliance with the laws or regulations of a particular jurisdiction that is based, at least in part, on claims occurring after the Effective Date. If the subject matter of the action falls within the Multi-State Areas of Review, that Signatory Regulator shall provide notice to the Lead Regulators including the reasons for the initiation of the action and the subject matter of the alleged non-compliance. In addition, any Signatory Regulator may take any and all appropriate action should the Homesite Companies violate any provision of the insurance laws and regulations of its jurisdiction with regard to activities outside the scope of the Multi-State Areas of Review and nothing contained herein shall limit the authority of the Signatory Regulators from dealing with specific instances of non-compliance which may arise from activities including but not limited to consumer complaints, licensing changes, rate and form filing, or conducting other regulatory functions. Such regulatory functions shall not be deemed within the scope of this Agreement.

5. **Consumer Complaints.** This Agreement is not intended and may not be construed to limit the authority of a Signatory Regulator's consumer services division, or its equivalent, in investigating and taking appropriate action with regard to a consumer complaint.

### III. OTHER AGREEMENTS

**A. Default and Cure.** If the Homesite Companies default with respect to any obligation under this Agreement, they shall use commercially reasonable efforts to cure such default as soon as reasonably practicable. If such default is not remedied within ninety (90) business days following delivery of a written notice pursuant to Section III.G.11. specifying such default, during which period the Signatory Regulators and the Homesite Companies shall make reasonable efforts to amicably resolve any disputes regarding the default, the Signatory Regulator(s) may seek administrative and/or judicial enforcement of this Agreement.

**B. Penalties.**

**1. Up Front Penalty.** The Homesite Companies shall pay an up front penalty for past non-compliance of Five Hundred Thousand Dollars (\$500,000.00) to the Signatory Regulators in accordance with the percentages set forth in **Exhibit D**.

**2. Performance Penalties.** If the Lead Regulators determine that the Homesite Companies have not achieved any or all of the Benchmarks as reflected in the Compliance Reports and verified by the Lead Regulators after consultation with the Homesite Companies in accordance with Section II.B.2., the Lead Regulators may assess a penalty or penalties (the "Performance Penalties"). Performance Penalties shall be calculated for each twelve (12) month reporting period as set forth in **Exhibit E** and paid to the Signatory Regulators in accordance with the percentages set forth in **Exhibit D**.

**C. Choice of Law.** When an issue pertaining to this Agreement applies to multiple jurisdictions, the Signatory Regulators and the Homesite Companies agree that for Homesite Insurance Company of California, California law applies; Homesite Insurance Company of Illinois and Homesite Insurance Company of Florida, Illinois law applies; Homesite Insurance Company of the Midwest, North Dakota law applies; Homesite Indemnity Company, Kansas law applies; and Homesite Insurance Company, Connecticut law shall apply. When an issue pertaining to this Agreement is specific to an individual jurisdiction, the Signatory Regulators and the Homesite Companies agree that the particular substantive law of that jurisdiction shall be utilized for the purpose of interpreting, applying and enforcing any provision of this Agreement in that jurisdiction. In such case(s), the appropriate forum shall be the courts or regulatory agency of that particular jurisdiction. Nothing in this Agreement enlarges, supersedes or preempts the insurance laws and regulations of any of the Signatory Regulators' jurisdictions.

**D. Ongoing Examination.** The monitoring of the Homesite Companies for compliance with this Agreement and with the CAP constitutes an ongoing examination by the State of Missouri, as a lead regulator pursuant to §374.205 RSMo. The Homesite Companies further agree to pay any reasonable fees related to the ongoing examination. The ongoing examination shall commence on the Effective Date. The Signatory Regulators expressly recognize Missouri as the producing state of information and materials received in connection with this Agreement, with the CAP and with the ongoing examination.

**E. Confidentiality.** The Signatory Regulators agree that any and all work papers, recorded information, documents and copies of work papers, and documents produced by, obtained by, or disclosed to the Signatory Regulators, including the Test Plans and Compliance Reports, shall be given confidential treatment to the fullest extent provided by Missouri law and shall not be subject to subpoena and may not be made public by the Signatory Regulators or to any other person, except as provided for in §374.205.3 (5) and §374.205.4 RSMo.

**F. Effective Date.** The effectiveness of this Agreement is conditioned upon the following: (i) approval and execution of this Agreement by the Homesite Companies and the Lead Regulators (the "Execution Date"), and (ii) approval and execution of this Agreement by the Participating Regulators. The date on which the last of these approvals is secured shall be the Effective Date of this Agreement (the "Effective Date").

**G. Term.** This Agreement shall commence thirty (30) days after the Effective Date, but no earlier than January 1, 2016, and remain in effect until ninety (90) days after delivery of the final Compliance Report for the second twelve (12) month reporting period (the "Term"), unless otherwise amended by agreement of the Homesite Companies and the Lead Regulators.

**I. Miscellaneous Provisions.**

**1. Execution.** To become a party to this Agreement, an Insurance Director, Commissioner, Superintendent or their designee shall execute a signature page within sixty (60) days from the Execution Date. If a Signatory Regulator finds that, under applicable state law, regulation or procedure, the preparation and execution of a consent order is necessary to carry out the terms of this Agreement, such a consent order (the "Applicable Consent Order") shall be prepared by such Participating Regulator within sixty (60) days following the Execution Date. The Lead Regulators and the Homesite Companies may waive the sixty (60) day period for Participating Regulators to execute this Agreement. For purposes of this Agreement, an "Applicable Consent Order" shall be satisfactory to the Homesite Companies if it (i) incorporates by reference and attaches via exhibit a copy of this Agreement, (ii) expressly adopts and agrees to the provisions of this Agreement, and (iii) includes only those other terms that may be legally required in the jurisdiction of the applicable Participating Regulator. However, nothing in this Agreement shall be construed to require any jurisdiction to execute and deliver an Applicable Consent Order if such jurisdiction elects instead to sign this Agreement.

**2. Enforceability.** Each Signatory Regulator hereby gives express assurance that this Agreement is enforceable by its terms under the applicable laws, regulations and judicial rulings in its respective jurisdiction and, that the Signatory Regulator, on behalf of his/her respective jurisdiction, has the authority to enter into this Agreement and bind that Party now and in the future. By the execution of this Agreement with the Homesite Companies, each Signatory Regulator acknowledges that he/she has reviewed and agrees with the terms and conditions as set forth herein.

3. **Successors and Assigns.** This Agreement shall be binding on and inure to the benefit of the Signatory Regulators and the Homesite Companies and their respective legal representatives, successors and assigns.

4. **Waiver.** The failure of the Signatory Regulators at any time to require the strict performance by the Homesite Companies of any of the terms, provisions or conditions hereof shall in no way affect the right thereafter to enforce the same, nor shall the waiver by the Signatory Regulators of any breach of any terms, provisions and conditions hereof be construed or deemed a waiver of any succeeding breach of any term, provision or condition thereof.

5. **Third Party Beneficiaries.** Nothing herein shall confer any rights upon any persons or entities other than the Signatory Regulators and the Homesite Companies.

6. **Extensions.** The Lead Regulators and the Homesite Companies may mutually agree, in writing, to any reasonable extensions of time that might become necessary to carry out the provisions of this Agreement.

7. **Entire Agreement.** This Agreement, its Exhibits, the CAP, and any amendments thereto, as well as any Applicable Consent Order or any other order issued by a Signatory Regulator set forth the entire agreement among the Parties with respect to its subject matter and supersedes all prior agreements, arrangements or understandings (whether in written or oral form) between the Homesite Companies and the Signatory Regulators.

8. **Amendments.** This Agreement and its Exhibits may be amended by the Lead Regulators and the Homesite Companies without the consent of any Participating Regulator, provided that such amendment does not materially alter this Agreement. Participating Regulators shall receive notice of any amendment to the Agreement considered to be material by the Lead Regulators. Any amendment to the terms of this Agreement and its Exhibits, which would affect the regulatory authority of any Signatory Regulator(s), shall not become effective without the written consent of such Signatory Regulator(s). All such amendments to this Agreement shall be in writing.

9. **Admissibility.** The Homesite Companies do not admit, deny, or concede any actual or potential fault, wrongdoing or liability in connection with any facts or claims that have been or could have been alleged against them, but considers it desirable for this matter to be resolved. Except in a proceeding to enforce the terms hereof, neither this Agreement nor any related negotiations, statements or court proceedings shall be offered by the Homesite Companies or the Signatory Regulators as evidence of or an admission, denial or concession of any liability or wrongdoing whatsoever on the part of any person or entity, including but not limited to the Homesite Companies or any affiliates thereof, or as a waiver by the Homesite Companies or any affiliates thereof of any applicable defense, including without limitation any applicable statute of limitations or statute of frauds.

10. **Expenses.** The Homesite Companies agree to pay the reasonable expenses of the Lead Regulators incurred in monitoring the Homesite Companies' compliance with this Agreement, including the expenses of contracted third parties selected by the Lead States to

assist them in performing their duties pursuant to the Agreement, as well as conducting or attending any meetings, presentations, or discussions with the Homesite Companies or other Signatory Regulators. Such expenses should be payable to the Lead Regulators within thirty (30) days of the presentation of valid receipts.

11. **Notice.** All notices permitted or required to be delivered under this Agreement shall be in writing and shall be deemed so delivered by hand, one (1) business day after transmission by facsimile or other electronic system (evidenced by machine generated receipt), five (5) business days after being placed in the hands of a commercial courier service for express delivery, or ten (10) business days after placement in the mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the following addresses or a Party's most current principal address of which the Party sending the notice has been notified:

If to the Homesite Companies: Anthony M. Scavongelli, Esq.  
Homesite Group Incorporated  
One Federal Street  
Suite 400  
Boston, Massachusetts 02110  
AScavongelli@homesite.com

Copy to: Jeffrey Thomas, Esq.  
Mitchell, Williams, Selig, Gates & Woodyard, PLLC  
425 West Capitol Avenue, Suite 1800  
Little Rock, Arkansas 72201  
JThomas@mwlaw.com

If to the Lead Regulators: Connecticut Insurance Department  
Attn: Director, Market Conduct  
153 Market Street, 7<sup>th</sup> Floor  
Hartford, Connecticut 06103

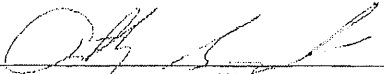
12. **Severability.** In the event that any portion of this Agreement is held invalid under any particular jurisdiction's law as it is relevant to a Signatory Regulator, such invalid portion shall be deemed to be severed only in that jurisdiction and all remaining provisions of this Agreement shall be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



13. **Counterparts.** This Agreement may be signed in multiple counterparts, each of which shall constitute a duplicate original, but which taken together shall constitute but one and the same instrument.

**EXECUTED BY:**

**Homesite Insurance Companies**

  
\_\_\_\_\_  
Anthony M. Scavongelli  
Executive Vice President and General Counsel

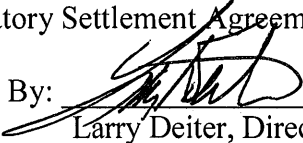
Date 12/16/15

I, Anthony M. Scavongelli, hereby affirm that I am the Executive Vice President and General Counsel of Homesite Group Incorporated and have the authority to execute this Agreement on the behalf of the Homesite Companies.

**EXHIBIT A**  
**STATE RSA ADOPTION FORM**

Adoption Of  
Homesite Insurance Group (HIG)  
Regulatory Settlement Agreement

On behalf of the State of South Dakota, I, Larry Deiter, hereby adopt, agree, and approve this Regulatory Settlement Agreement.

By:   
\_\_\_\_\_  
Larry Deiter, Director  
South Dakota Division of Insurance

Date: 2/9/16

**Payment of Administrative Penalties**

Instructions for payment and delivery: Unless otherwise specified, administrative penalties 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: South Dakota Division of Insurance

Contact Name: Matthew Ballard

Mailing Address: 124 South Euclid Avenue, 2<sup>nd</sup> Floor, Pierre, SD 57501