STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION

In the Matter of **Interstate Indemnity Company**.	)	**STIPULATION** and
	)	**FINAL ORDER**
	)	Case No. INS 04-12-009

STIPULATION

The Director of the Oregon Department of Consumer and Business Services (director) commenced this administrative proceeding, pursuant to Oregon Revised Statutes (ORS) 731.256, to take enforcement action against Interstate Indemnity Company (Interstate Indemnity).

Interstate Indemnity enters into this stipulation, pursuant to ORS 183.415(5), to conclude this proceeding without further administrative or judicial proceedings.

Interstate Indemnity waives the right to receive a notice of proposed action, receive a notice of the rights of a party and procedures in contested cases, have a hearing, be represented by an attorney at the hearing, receive a proposed order, file exceptions to the proposed order, and have the final order judicially reviewed.

Interstate Indemnity stipulates to the following facts, conclusions, and action; and consents to the issuance of a final order incorporating this stipulation.

Facts and Conclusions

Licensing Information

Interstate Indemnity has been licensed in Oregon as a foreign insurer since 8/7/62. Interstate Indemnity's Oregon Insurance Division company number is 1066, and its NAIC identification number is 22810. Interstate Indemnity's principal business mailing address is 55 E. Monroe Suite 3300, Chicago, IL 60603-5972

Terminated Agents Without Sufficient Notice

Interstate Indemnity violated ORS 744.081(1) in one instance by engaging in the following conduct. ORS 744.081(1) requires an insurer that terminates an agent that is authorized to represent the insurer in Oregon to "give written notice of the termination and the date thereof to the agent at least 90 days prior to the effective

date of the termination" and "must specify the reasons for the termination." On 11/6/03, Interstate Indemnity mailed by certified mail a letter dated 11/6/03 to McFall General Agency, Inc. (MGA). MGA received the letter on 11/10/03. In the letter, Interstate Indemnity terminated the Commercial Excess and Surplus Binding Authority agreement between Interstate Indemnity and MGA effective 3/6/04, which was 176 days later. In the letter, Interstate Indemnity also terminated MGA's authority under the agreement to sell "multilines" insurance effective immediately; and to sell "transportation" insurance effective 12/31/03, only 55 days later. Interstate Indemnity did not specify the reason(s) for terminating the agreement or the authority under the agreement to sell the two classes of insurance.

Action

Pursuant to ORS 731.988, Interstate Indemnity is assessed a civil penalty of $1,000. The payment shall be made in the form of a check payable to the "Department of Consumer and Business Services" for the full amount due. The payment shall be delivered to the Insurance Division at the Labor and Industries Building, 350 Winter Street NE, Room 440 (4th Floor), Salem, Oregon; or mailed to the Insurance Division at PO Box 14480, Salem, OR 97309-0405. The payment is due on, and shall be received by the Insurance Division by, the date of the final order.

Dated January 18, 2005

/s/ Christopher Roe
[Signature of Representative]

Christopher Roe
[Printed Name of Representative]

Vice President
[Printed Title of Representative]

Interstate Indemnity Company

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FINAL ORDER

The director incorporates herein the above stipulation, adopts it as the director's final decision in this proceeding, and orders that the action stated therein be taken.

Dated March 1, 2005

/s/ Cory Streisinger
Cory Streisinger
Director
Department of Consumer and Business Services

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