Before the State of South Carolina
Department of Insurance

In the matter of:
Pacific Specialty Insurance Company
3601 Haven Avenue.
Menlo Park, CA 94025

Consent Order
Imposing Administrative Penalty

This matter comes before me pursuant to an agreement entered into between the State of South Carolina Department of Insurance and Pacific Specialty Insurance Company (the Company), an insurer licensed to transact insurance business within the State of South Carolina.

I hereby find as fact that the Company failed to timely file its June 2004 Quarterly Tax Return Installment. This insurer previously also had failed to timely file a previous installment with the Department, for which it was given a warning letter. The Company maintains these actions were the result of administrative oversight and were not the intentional violation of South Carolina law.

Rather than contest this matter, the parties have agreed to submit the entire matter to me, along with their specific recommendation, for my summary decision. That consensual recommendation was that the Company would waive its right to a public hearing and would submit to an administrative penalty through the Department in the total amount of ~~$4,000~~. 1,000 ok by Jmcmaster 8/23

Section 38-7-60(3) of the South Carolina Code in pertinent part states, "premium and other taxes imposed on insurers pursuant to Sections 38-7-20, 38-7-30, 38-7-40, 38-7-50, and 38-7-90 must be paid to the Director or his designee in quarterly installments on or before March first, June first, September first, and December first of each calendar year." Sections 38-7-60 (4) and 38-5-120 (A) (2) (2002) allow the Director of Insurance to impose disciplinary action against an insurer that does not comply with South Carolina's insurance laws.

After a thorough review of the matter, carefully considering the recommendations of the parties, and pursuant to my findings of fact, I hereby conclude as a matter of law that the Company's June 2004 filing did not comply with S.C. Code Ann. § 38-7-60(3) (2002). Accordingly, I hereby accept the recommendation of the parties and impose an administrative fine in the total amount of ~~$4000.00~~ 1000 ok by Jmcmaster 8/23 against the Company pursuant to the discretionary authority provided to me by the State of South Carolina General Assembly within S.C. Code Ann. §§ 38-2-10 and 38-5-130 (2002). The Company must pay this administrative fine within 15 days of the

_____Pacific Specialty Insurance Company

date and signature upon this consent order. If the Company has not paid that total amount on or before that date, then the Company's certificate of authority to transact business as an insurer within the State of South Carolina will be summarily revoked without any further administrative disciplinary proceedings.

The parties have reached this consensual resolution as a result of negotiation and compromise, and in consideration of the internal corrective measures the Company has implemented to prevent this problem from recurring and the Company's assurance that it will timely file each of its future tax returns with the Department. This penalty includes all expenses related to investigation of this matter as provided in § 38-13-70 of the South Carolina Code. The parties expressly agree and understand the Company's payment of the agreed-upon penalty constitutes full accord and satisfaction of this matter.

By the signature of one of its officers or authorized representatives upon this consent order, the Company acknowledges that it understands that this administrative disciplinary order is a public record subject to the disclosure requirements of the State of South Carolina's *Freedom of Information Act,* S.C. Code Ann. §§ 30-4-10, *et seq*. (1991 and Supp. 2001).

Nothing contained within this administrative disciplinary order should be construed to limit or to deprive any person of any private right of action under the law. Nothing contained within this administrative disciplinary order should be construed to limit, in any manner, the criminal jurisdiction of any law enforcement or judicial officer. Nothing contained within this administrative disciplinary order should be construed to limit the statutory duty, pursuant to S.C. Code Ann. § 38-3-110 (2002), of the Director of Insurance, exercised either directly or through the Department, to "report to the Attorney General or other appropriate law enforcement officials criminal violations of the laws relative to the business of insurance or the provisions of this title which he considers necessary to report."

It is, therefore, ordered that Pacific Specialty Insurance Company shall, within 15 days of receipt of this consent order, pay through the Department an administrative penalty in the total amount of ~~$4,000.~~ 1,000 ok by JMcMaster 8/23

It is further ordered that a copy of this consent order be immediately transmitted to the National Association of Insurance Commissioners for distribution to its member states.

This consent order becomes effective on the date of my signature below.

Gwendolyn Fuller McGriff

Gwendolyn Fuller McGriff
Deputy Director

Sep 3, 2004
Columbia, South Carolina

_____ Pacific Specialty Insurance Company

I CONSENT:

Signature of Authorized Representative

David Lee Sacks

Name

Vice President/CFO

Title

SCDOI File Number

122137

Dated this 24 day of August, 2003