

STATE OF MINNESOTA
COMMISSIONER OF COMMERCE

In the Matter of the Certificates of Authority
of Austin Mutual Insurance Company and Northern
Mutual Insurance Company.

Both corporations are licensed
To do business in the State of Minnesota.
NAIC Nos. 13412 and 16314, respectively.

CONSENT ORDER

TO: Austin Mutual Insurance Company
10 Second Street NE, Suite 300
Minneapolis, MN 55413-2282

Northern Mutual Insurance Company
10 Second Street NE, Suite 300
Minneapolis, MN 55413-2282

Commissioner of Commerce James C. Bernstein (hereinafter "Commissioner") has determined as follows:

1. The Commissioner has advised Austin Mutual Insurance Company and Northern Mutual Insurance Company (hereinafter "Respondents") that as a result of an investigation by the Commissioner concerning Respondents' conduct as corporations engaged in the business of insurance in Minnesota, the Commissioner is prepared to commence formal proceedings in accordance with the provisions of Minn. Stat. § 45.027 (2000) against Respondents' Certificate of Authority to engage in the business of insurance in Minnesota based on allegations that Respondents have failed to comply with the requirements of Minn. Stat. § 60A.171 (2000).

2. Respondent acknowledges that it has been advised of its rights to a hearing in this matter, to present argument to the Commissioner and to appeal from any adverse determination after a hearing, and Respondent hereby expressly waives those rights. Respondent further acknowledges that it has been

represented by legal counsel throughout these proceedings or has been advised of its right to counsel which right it hereby waives.

3. Respondent, while not admitting or denying the allegations, has agreed to an informal disposition of this matter without a hearing, as provided under Minn. Stat. § 14.59 (2000) and Minn. R. 1400.5900 (2001).

4. The following Order is in the public interest.

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to Minn. Stat. § 45.027, subd. 6 (2000), that Respondent shall pay to the State of Minnesota a civil penalty of \$10,000.

IT IS FURTHER ORDERED, pursuant to Minn. Stat. § 45.027, subd. 6 (2000), that Respondent shall pay to the State of Minnesota investigative costs of \$2,500.

IT IS FURTHER ORDERED, pursuant to Minn. Stat. § 45.027, subd. 6 (2000), that Respondents shall, if requested by an insurance agency as follows, enter into binding arbitration, pursuant to the terms of this Order, with any Minnesota insurance agency that: (1) is or was a party to an agency agreement with Respondents, and (2) entered into a plan of rehabilitation with Respondents on or after October 1, 2000, through the date of this Order, as required by Minnesota Statutes, Section 60A.171 prior to Respondents terminating such agency agreement, and (3) has filed or files a written complaint with the Commissioner or the Respondents regarding the terms of the rehabilitation plan or termination of its agency agreement ("Complainant"). In order to be eligible for binding arbitration, the Complainant must: (1) file a written complaint as described above within 30 days after the termination of the rehabilitation plan that it entered into with the Respondents, (2) agree to binding arbitration with the Respondents, and (3) agree to strictly abide by both the process outlined below and the terms of the arbitrator's decision as a final resolution of the matter.

The terms and process for the binding arbitration shall be as follows:

a. The binding arbitration shall be conducted under the Commercial Arbitration Rules of the American Arbitration Association, except as otherwise required by this Order. The arbitrator shall be provided with a copy of this Order and shall follow its terms and conditions in

conducting the binding arbitration. The parties shall share equally in the costs of the binding arbitration (each party shall be responsible for its own legal fees and travel expenses). The binding arbitration shall be held in Minneapolis, Minnesota, unless the parties agree upon a different location.

b. The arbitrator shall have the authority to require the Respondents to extend a Complainant's rehabilitation plan for up to an additional six months from the date of its expiration. If a Complainant's agency agreement with Respondents had been terminated prior to the date of the binding arbitration, the arbitrator may require the Respondents to reinstate the agency agreement and then extend the rehabilitation plan for up to an additional six months from the date of the reinstatement. With respect to an agency with an agreement that has terminated prior to the date of the binding arbitration, the arbitrator may only require the Respondents to reinstate the agency contract and extend the rehabilitation plan upon a showing by a preponderance of the evidence by the Complainant that such a reinstatement and extension would assist the Complainant to complete the terms of the rehabilitation plan successfully. With respect to an agency with an agreement that has not terminated prior to the date of the binding arbitration, the arbitrator may only require the Respondents to extend the rehabilitation plan upon a showing by a preponderance of the evidence by the Complainant that such an extension would assist the Complainant to complete the terms of the rehabilitation plan successfully. The arbitrator shall have no authority to award damages, including awarding punitive or exemplary damages, to make any findings of fact or conclusions of law related to the Respondents' compliance with the Minn. Stat. § 60A.171 (2000) or to provide any relief to the Complainant not expressly authorized by this paragraph b.

c. The ruling of the arbitrator shall be issued without a written report, shall be binding upon the parties and is not subject to further appeal or review.

d. The binding arbitration proceedings, including the ruling of the arbitrator and any evidence produced during the proceeding, shall be confidential and not subject to disclosure or other discovery, or be received in evidence in any civil proceedings.

e. Prior to the commencement of a binding arbitration proceeding hereunder, the parties shall informally meet, via telephone or in person, to attempt to resolve the issues raised by the Complainant regarding the terms of the rehabilitation plan or the termination of the agency contract. The Respondents shall use their best efforts to schedule an informal meeting within 14 business days of the receipt of a written complaint as described herein. If an informal meeting cannot resolve these issues, the parties may proceed to binding arbitration under the terms of this Order.

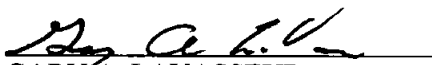
f. Respondents shall provide the Commissioner with written reports documenting each request for binding arbitration received and the informal disposition, or binding arbitration decision, thereon. The reports shall be filed quarterly, commencing October 1, 2002 and terminating when the eligibility of Complainants for binding arbitration hereunder has expired.

This Order shall be effective upon signature on behalf of the Commissioner.

Dated: 08-05-02.

JAMES C. BERNSTEIN
Commissioner

By:


GARY A. LAVASSEUR
Deputy Commissioner
Enforcement Division

85 7th Place East, Suite 500
Saint Paul, Minnesota 55101
Telephone: (651) 296-2594

CONSENT TO ENTRY OF ORDER

The undersigned, acting on behalf of Austin Mutual Insurance Company and Northern Mutual Insurance Company, states that s/he has read the foregoing Consent Order; that s/he knows and fully understands its contents and effect; that s/he is authorized to execute this Consent to Entry of Order on behalf of Respondent; that s/he has been advised of Respondent's right to a hearing; that Respondent has been represented by legal counsel in this matter; or that s/he has been advised of Respondent's right to be represented by legal counsel and that s/he has waived this right; and that s/he consents to entry of this Order by the Commissioner of Commerce. It is further expressly understood that this Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either express or implied.

Austin Mutual Insurance Company and Northern Mutual Insurance Company

By: *[Signature]*
Jeffrey B. Kusch

Its: President

STATE OF Minnesota

COUNTY OF Hennepin

This instrument was acknowledged before me on 07/31/02(date) by Jeffrey B. Kusch

(name(s) of person(s)) as officer (type of authority, e.g., officer, trustee, etc.) of

Austin Mutual Insurance Company(name of party on behalf of whom the instrument was executed).
Northern Mutual Insurance Company

(stamp)

Cynthia K. Debrobander
(Signature of notary officer)
Notary

Title (and Rank)
My commission expires: 01/31/2005

