STIPULATION REGARDING COLORADO DIVISION OF INSURANCE

ORDERS O-11-002, O-11-012, AND O-11-028

COPIC Insurance Company ("COPIC"), a Colorado corporation, and the Colorado Division of Insurance (the "Division") (COPIC and the Division shall collectively be referred to as the "parties") hereby enter into this Stipulation to resolve the specific issue raised in Division of Insurance Orders O-11-002, O-11-012 and O-11-028 related to COPIC's ability to continue to offer long-term care insurance pursuant to the LTC-GMP-COPIC policy to those COPIC insureds who are insured under the LTC-GMP-COPIC policy as of December 31, 2011.

WITNESSETH:

WHEREAS COPIC has provided long-term care insurance as a benefit to its employees and as a benefit to COPIC's individual professional liability policyholders since 1997;

WHEREAS COPIC has provided this long-term care insurance under a group policy, specifically the LTC-GMP-COPIC policy, and has continuously done so since the inception of COPIC's long-term care insurance plan in 1997 (the "LTC Group Policy");

WHEREAS COPIC believed and understood that in 1997 the Division approved COPIC's request to offer long-term care insurance as a group and under a group master policy;

WHEREAS from 1997 through 2009 COPIC made form and limited rate filings with the Division for COPIC's LTC Group Policy;

WHEREAS from approximately November 2009 to July 2010, the Division conducted a limited market conduct examination of COPIC's professional liability and long-term care business for the time period from January 1, 2008 through December 31, 2008 and in conjunction with this examination, the Division staff and the MCE examiners questioned

whether COPIC's physician professional liability insureds qualified as a "group" for purposes of issuing group long-term care insurance under Colorado insurance law;

WHEREAS on July 2, 2010, and in conjunction with the Final Market Conduct Examination Report the Division issued Final Agency Order O-11-002, amended on August 3, 2010, by Final Agency Order O-11-012, and the Final Market Conduct Examination Report and Final Agency Orders O-11-002 and O-11-012 include findings of fact and conclusions of law with respect to, inter alia, COPIC's administration of it long-term care insurance program;

WHEREAS on June 17, 2010, COPIC filed a Request for Suspension or Modification Under Section 26 of Colorado Insurance Regulation 4-4-1 (3 Colo. Code Reg. § 704-4:4-4-1(26)) Concerning Requirements for Long-Term Care Insurance seeking to resolve specific concerns regarding the administration of COPIC's long-term care insurance benefit (the "Section 26 Request") and on July 23, 2010, COPIC submitted a Confirmation of Group Status With Respect to Long-Term Care Insurance Under C.R.S. § 10-19-103(4)(d), which sought the Division's confirmation that the Division considered COPIC's professional liability insureds to be an appropriate group for purposes of long-term care insurance (the "Group Status Request");

WHEREAS on July 26, 2010, COPIC and the Division entered into an Agreement Between the Colorado Division of Insurance and COPIC Insurance Company Regarding COPIC's Request for Exemption Under Section 26 of Division of Insurance Regulation 4-4-1 And Request for Determination of Law Under Section 10-10-103(4), C.R.S. ("Agreement") for a limited administrative hearing ("Limited Hearing"), which Limited Hearing was held on July 26, 2010;

WHEREAS on July 27, 2010, the Division issued Final Agency Order No. O-11-028 holding that COPIC's individual professional liability insureds do not meet the definition of a "group" as defined under § 10-19-103(4)(d), C.R.S. and therefore determined COPIC's Section 26 Request was moot, as such exemptions would only be applicable if COPIC were granted "group" status under § 10-19-103(4), C.R.S. The Commissioner thus deemed COPIC's Section 26 Request denied;

WHEREAS to the extent that COPIC offers long-term care insurance to its employees, COPIC does qualify as "group" pursuant to C.R.S. § 10-19-103(4)(a) for its employee insureds;

WHEREAS COPIC has filed a Complaint for Review and an appeal of both the Final Report and Final Agency Orders O-11-002/O-11-012 (*COPIC Insurance Co. v. State of Colorado, Dept. of Regulatory Agencies, Div. of Insurance*, Case No. 2010cv6135, District Court for the City and County of Denver) and Final Agency Order No. O-11-028 (*COPIC Insurance Co. v State of Colorado. Dept. of Regulatory Agencies, Div. of Insurance*, Case No. 10CA1680, Colorado Court of Appeals) (collectively, the "Appeals");

WHEREAS COPIC and the Division have entered into Stipulations staying the effective dates of Final Agency Order Nos. O-11-002, O-11-012, O-11-028 pending the outcome of the respective Appeals;

WHEREAS both COPIC and the Division desire to minimize the Final Agency Orders' effect on any insureds who were covered by the LTC-GMP-COPIC policy prior to issuance of the Final Agency Order No. O-11-028;

WHEREAS with an intent to resolve and settle the Appeals concerning the Division's Final Agency Orders, both the Division and COPIC entered into a Memorandum of

Understanding Regarding Colorado Division of Insurance Final Agency Orders O-11-002, O-11-012, and O-11-028 ("MOU") executed on June 6 and June 7, 2011 respectively;

WHEREAS the MOU provides for a possible resolution of all issues raised by the Market Conduct Examination ("MCE") and in the Appeals;

WHEREAS consistent with the MOU and to resolve the pending Appeals, the parties contemporaneously with this Stipulation are also entering into a Settlement Agreement;

WHEREAS the MOU and the Settlement Agreement reflect the parties' intention and agreement that COPIC may continue to offer renewal of LTC certificates to those individual physician insureds who are covered under COPIC's LTC Group Policy as of December 31, 2011 ("Grandfathered Physician Group"), with such renewal and coverage continuing under LTC-GMP-COPIC-112;

WHEREAS this Stipulation is intended primarily to address and document the parties' agreement concerning the future administration of the Grandfathered Physician Group and the COPIC employee group; and

WHEREAS the parties' Settlement Agreement is intended primarily to address the historical administration of the COPIC LTC program and those issues subject to Final Agency Orders O-11-002, O-11-012, and O-11-028 and the pending Appeals;

NOW THEREFORE, in consideration of the above recitals, which are expressly incorporated into and made part of the Stipulation; the Division and COPIC enter into the following Stipulation.

1. COPIC shall be allowed by the Division to continue to offer renewal of LTC certificates to the individuals in the Grandfathered Physician Group who are covered under COPIC's LTC Group Policy as of December 31, 2011.

2. For purposes of this settlement, the Division will permit the Grandfathered Physicians Group to continue as an LTC group, for the sole purpose of COPIC providing continued LTC coverage to the Grandfathered Physician Group. COPIC shall not be allowed to add any additional physician to this group unless such physician becomes a COPIC employee.

3. Renewals and coverage of the Grandfathered Physician Group shall continue under COPIC's LTC-GMP-COPIC-112 policy.

4. Physicians who fall within the Grandfathered Physician Group shall have the option to continue LTC coverage under the LTC-GMP-COPIC-112 policy, regardless of whether the Physician continues to maintain a COPIC professional liability insurance policy.

5. Physicians who fall within the Grandfathered Physician Group shall have the option to continue COPIC professional liability insurance coverage without continuing LTC coverage.

6. The Division shall not fine, penalize, or otherwise find COPIC to be in violation of Colorado Insurance law for the period of 1997 through December 31, 2011, based on any assertion, argument, finding or conclusion that COPIC was not authorized by Colorado law or by the Division to offer long-term care insurance pursuant to a group policy during that period or based on any assertion, argument, finding or conclusion that COPIC's physician insureds did not constitute a "group" under Colorado Insurance law.

7. The Division shall not fine, penalize, or otherwise find COPIC to be in violation of Colorado Insurance law for the period of 1997 through December 31, 2011, based on any assertion, argument, finding or conclusion that COPIC did not properly administer its long-term care insurance product or program. Specifically, COPIC's 1997-2011 LTC rates, forms, and other regulatory filings shall not be subject to fines, penalties or other adverse action by the Division. Additionally, COPIC's integration of LTC coverage into its professional liability coverage and rates from 1997 through 2011 shall not subject COPIC to any fine, penalty, or other adverse action by the Division. The Division does, however, explicitly retain, and COPIC agrees that the Division retains, the ability to examine COPIC's administration of claims submitted by its LTC insureds and COPIC's administration of lapse or termination of coverage of COPIC's LTC insureds for the period of 1997 through December 31, 2011. The Division also retains, and COPIC agrees the Division retains, all rights and authority provided by Colorado law to regulate COPIC's compliance with Colorado insurance laws and regulations except as specifically waived herein or as specifically waived in the parties' Settlement Agreement.

8. The Division shall not fine, penalize, institute administrative action or otherwise find COPIC to be in violation of Colorado Insurance law as a result of COPIC continuing to renew and administer LTC coverage for the Grandfathered Physician Group.

9. Specifically, pursuant to the terms of the LTC-GMP-COPIC-112 policy and the LTC-G-COPIC, LTC-G2-COPIC, LTC-G3-COPIC, LTC-G4-COPIC and LTC-G5-COPIC insurance certificates, COPIC may renew all long-term care insurance certificates issued to the Grandfathered Physician Group until such time as none of the Grandfathered Group remain insured under the LTC-GMP-COPIC-112 policy and the policy's individual certificates, because

all of the certificates have been terminated and thus may not be renewed or reinstated pursuant to the terms of the policy and the certificates.

10. In an effort to reach a compromise position on this matter, the parties have agreed that the § 10-19-103(4)(a) COPIC employee group shall be permitted to include the Grandfathered Physician Group pursuant to the conditions set forth herein and that COPIC's long-term care program offered to employees and the Grandfathered Physician Group shall be administered as a single group subject to the current and future statutes and regulations concerning groups formed pursuant to C.R.S. § 10-19-103(4)(a), employee groups, subject to the modifications recognized in Final Agency Order O-12-020 issued August 4, 2011, regarding COPIC's Request for Suspension or Modification Under Section 26 of Insurance Regulation 4-4-1, Concerning Long-Term Care.

11. COPIC has submitted proposed revised LTC and professional liability forms and rate filings to the Division for review and approval and such revised rates and forms submitted to date have been reviewed and approved by the Division.

12. Ninety days prior to each physician's professional liability insurance 2012 renewal date, COPIC shall send a communication to the insured physician explaining that the LTC benefit is being removed from the professional liability policy and that the LTC premiums will now be billed separately. No less than sixty days prior to an LTC insured renewal date a communication shall explain the option for continued LTC coverage, and identify the physician's enrollment year, age, current benefit level, the projected escalation of the physician's benefits, their LTC premium, the date said premium shall be due and owing, and other information pertinent to the revised program and rate filings. Said communication shall also identify that the physician may make a one-time election to terminate

his/her LTC coverage and that upon such termination the physician will receive a termination payment or professional liability premium credit, as applicable, in a specified amount. Finally, the communication shall state that if the physician elects not to pay the LTC premium, such failure will result in a lapse of the physician insured's LTC coverage pursuant to the terms of the certificate and policy. For those physician LTC insureds who do not have a current COPIC professional liability policy, the communication outlined in this Paragraph shall be provided at least forty-five days prior to the 2012 renewal of the insured's LTC coverage.

13. Final Agency Orders O-11-002, O-11-012 and O-11-028 do not preclude COPIC, as an employer, from offering group long-term care insurance to its current and former employees, through the group master LTC-GMP-COPIC-112 policy, pursuant to C.R.S. § 10-19-103(4)(a). COPIC is specifically permitted to offer and to continue offering long-term care insurance to its current and future employees and to those former employees that are covered under the LTC-GMP-COPIC policy as of December 31, 2011.

14. This Stipulation shall be binding on the parties and their successors.

The foregoing is duly executed and this 28 day of September 2011.

COPIC Insurance Company,
a Colorado corporation

By _____

Colorado Division of Insurance

By _____
John J. Postolowski,
Deputy Insurance Commissioner of the State of Colorado