

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

RECEIVED
INSURANCE DEPARTMENT
2007 FEB - 6 PM 12: 09
ADMIN HEARINGS OFFICE

IN RE: : VIOLATIONS:
: :
RICHARD P. CAPUTO : 40 P.S. §§310.11, 310.20, 310.91, 991.1608,
6824 BIG BEAVER BOULEVARD : 991.1609, 991.1611, 991.1612, 991.1620,
BEAVER FALLS, PENNSYLVANIA : 991.1621, 991.1623, 991.1625;
15010 : 31 Pa. Code §124.5
:
CAPUTO INSURANCE AGENCY, INC. :
6824 BIG BEAVER BOULEVARD :
BEAVER FALLS, PENNSYLVANIA :
15010-0350 :
:
Respondents : Docket No. SC06-06-040

SETTLEMENT AGREEMENT

THIS AGREEMENT is made this 2ND day of February, 2007 between the Insurance Department of the Commonwealth of Pennsylvania ("Department") and Richard P. Caputo and Caputo Insurance Agency, Inc. (Respondents).

BACKGROUND

WHEREAS, on June 28, 2006, the Department filed an Order to Show Cause before the Insurance Commissioner and against Respondents as captioned-above ("the Order to Show Cause"); and

WHEREAS, the Order to Show Cause alleges that Respondents violated various insurance laws and regulations of this Commonwealth, particularly those applicable to and respecting the placement of certain "surplus lines" coverage; and

WHEREAS, in an effort to settle the disputes arising out of the allegations, the parties hereto have agreed to settle all claims asserted in the litigation previously described and all claims which the Department, on the one hand, and Respondents, on the other hand, have against each other, arising out of, or in any way related to the Order to Show Cause, all subject to, and on the terms and conditions hereinafter set forth.

AGREEMENTS

NOW THEREFORE, the parties hereto, intending to be legally bound, hereby agree:

1. Respondents understand their right to a formal administrative hearing on the allegations set forth in the Order to Show Cause and hereby waive same. Respondents further agree that the agreements contained herein shall have the same force and effect of an Order entered in accordance with Administrative Agency Law, 2 Pa.C.S. §101 et seq. or other applicable law.
2. Respondents shall cease and desist from any future violations of Pennsylvania insurance laws and regulations, including, but not limited to those described in the Order to Show Cause.
3. Respondents shall pay a civil penalty of forty-thousand dollars (\$40,000.00) to the Commonwealth of Pennsylvania. Payment of this penalty shall be made by certified check or money order, payable to the Commonwealth of Pennsylvania and should be directed to Sharon L. Fraser, Administrative Assistant, Bureau of Enforcement, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of the execution of this Settlement Agreement by the Department.

4. Respondents shall make payment in satisfaction of all tax obligations to the Pennsylvania Department of Revenue, including any applicable interest, fees or penalties, related to or arising from all disputed filings made by Respondents to the Pennsylvania Surplus Lines Association for the insurance policies or certificates which are the subject of the Order to Show Cause. Respondents shall timely provide the Department with proof of payment satisfying all such obligations.

5. All licenses issued by the Department to Respondent Richard P. Caputo may be immediately suspended by the Department following its investigation and determination that (i) civil penalty payment has not been made, or (ii) any other terms of this Agreement have not been complied with, or (iii) any complaint against Respondent Richard P. Caputo is accurate and a statute or regulation has been violated. The Department's right to act under this section is limited to a period of three (3) years from the date of this Agreement.

6. Respondent Richard P. Caputo specifically waives his right to prior notice of said suspension, but will be entitled to a hearing upon written request received by the Department no later than thirty (30) days after the date the Department mailed to Respondent Richard P. Caputo by certified mail, return receipt requested, notification of said suspension, which hearing shall be scheduled for a date within sixty (60) days of the Department's receipt of Respondent's written request.

7. At the hearing referred to in paragraph 6 of this Settlement Agreement, Respondent Richard P. Caputo shall have the burden of demonstrating that he is worthy of licensure.

8. In the event Respondent Richard P. Caputo's license(s) is/are suspended pursuant to paragraph 5 above, and Respondent either fails to request a hearing within thirty (30)

days or at the hearing fails to demonstrate that he is worthy of a license, Respondent Richard P. Caputo's suspended licenses shall be revoked.

9. This agreement is made solely for the purpose of resolving the differences between the parties addressed herein, and nothing in this Agreement shall be construed as or constitutes an admission of liability by any party hereto or an admission of the validity or enforceability of any claims or demands released hereby.

10. For and in consideration of Respondents' release and discharge of the Pennsylvania Insurance Department from any action, claim or demand arising out of the allegations in the Order to Show Cause, the Pennsylvania Insurance Department hereby releases and discharges Respondents from any claims in any court which the Pennsylvania Insurance Department has or may have as a result of the allegations made in the Order to Show Cause. It is agreed and understood that the aforementioned release and discharge include all costs and attorneys' fees arising out of the allegations.

11. For and in consideration of the Pennsylvania Insurance Department's release and discharge of Respondents from any action, claim or demand arising out of the allegations in the Order to Show Cause, Respondents hereby release and discharge the Pennsylvania Insurance Department from any claims in any court which Respondents have or may have as a result of the allegations made in the Order to Show Cause.

12. Miscellaneous.

(A) Captions and Section headings. Captions used herein are for convenience only, and are not a part hereof, and shall not be used in construing this Agreement.

(B) Binding Effect. This Agreement shall be binding upon, and inure to the

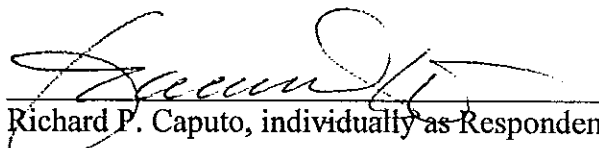
benefit of, the parties hereto and their respective successors and assigns, and, in addition hereto, shall be binding upon any receiver, liquidator, rehabilitator, conservator, supervisor and any other person or entity governmental or non-governmental, exercising or seeking to exercise the powers of the persons named above.


(C) Governing Law. This Agreement shall be governed by, and construed in accordance with the laws of the Commonwealth of Pennsylvania.

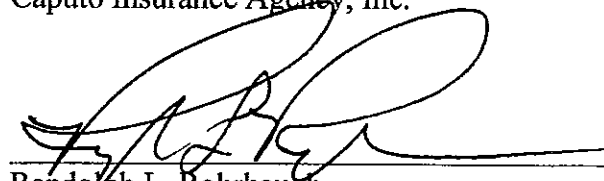
(D) Integration. This Agreement contains the entire agreement of the parties respecting the subject matter herein and supersedes all previous communications, representations, or agreements, either verbal or written, among the parties.

(E) Copies. Copies of this executed Agreement shall each be treated as an original.

Executed this day and year first above written.


Richard P. Caputo, individually as Respondent


Richard P. Caputo as President and Designated Licensee for and on behalf of Respondent Caputo Insurance Agency, Inc.


Randolph L. Rohrbaugh
Deputy Insurance Commissioner
INSURANCE DEPARTMENT OF THE
COMMONWEALTH OF PENNSYLVANIA