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SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES

INSURANCE COMMISSIONER STEVE  
POIZNER,

Petitioner,

v.

OFFICE OF ADMINISTRATIVE LAW,

Respondent,

AMERICAN COUNCIL OF LIFE INSURERS;  
AMERICAN INSURANCE ASSOCIATION;  
ASSOCIATION OF CALIFORNIA  
INSURANCE COMPANIES; ASSOCIATION  
OF CALIFORNIA LIFE AND HEALTH  
INSURANCE COMPANIES and PERSONAL  
INSURANCE FEDERATION OF  
CALIFORNIA,

Real Parties In Interest.

CASE NO. BS129209

SETTLEMENT AGREEMENT

DEPT: 86

JUDGE: The Honorable Ann Jones

Petitioner, Dave Jones, Respondent, and Real Parties In Interest, American Council of  
Life Insurers, American Insurance Association, Association of California Insurance  
Companies, Association of California Life and Health Insurance Companies, and Personal

1 Insurance Federation of California, enter into this settlement agreement to resolve the above-  
2 entitled litigation.

3 WHEREAS, on February 10, 2010, the previous Commissioner of the Department of  
4 Insurance, Steve Poizner, through the General Counsel, communicated to all insurance  
5 companies doing business in the state of California, as follows:

6 1. The Department has compiled a list of foreign entities doing business with the  
7 Iranian oil and natural gas, nuclear, and defense sectors (the List).

8 2. The entities on the List are subject to financial risk because they are doing business  
9 in Iran.

10 3. Effective March 30, 2010, the Department will treat investments held by insurance  
11 companies doing business in California in those entities on the List as non-admitted, and  
12 insurance companies holding those investments shall report those investments separately and  
13 report them as non-admitted assets.

14 WHEREAS, on March 29, 2010, Real Parties In Interest submitted a petition to  
15 Respondent, seeking a determination that the February 10, 2010 communication is an invalid  
16 "underground" regulation.

17 WHEREAS, on October 11, 2010, Respondent determined that the February 10, 2010  
18 communication, (1) met the definition of a regulation, (2) had not been adopted pursuant to the  
19 Administrative Procedure Act, (3) did not fall within any of the exceptions to the  
20 Administrative Procedure Act, and (4) was an invalid regulation.

21 WHEREAS, on November 9, 2010, Petitioner's predecessor, Steve Poizner, filed a  
22 petition for writ of mandate in the Superior Court in Los Angeles County, initiating this  
23 litigation and seeking to overturn Respondent's Determination.

24 WHEREAS, on February 4, 2011, Real Parties In Interest filed their cross-complaints  
25 for injunctive and declaratory relief. In addition to seeking a judgment enjoining Petitioner  
26 from enforcing the February 10, 2010 communication on the ground that the communication  
27 was an underground regulation, certain real parties in interest sought a declaration that  
28 Petitioner lacked statutory authority to impose the requirements of the February 10, 2010

1 communication and that the communication was preempted by the U.S. Constitution and  
2 federal law.

3 WHEREAS, the parties desire to resolve this litigation, THEREFORE, they agree as  
4 follows:

5 1. This Settlement Agreement is entered into by the parties solely for the purpose of  
6 reaching a compromise settlement without litigating the issues, and it is the intent of the parties  
7 that any conduct or statements made in negotiation shall be inadmissible for any purpose in any  
8 proceeding unrelated to the enforcement of the terms of this Settlement Agreement. By  
9 entering into this Settlement Agreement, the parties acknowledge and agree that this Settlement  
10 Agreement does not constitute an admission by Petitioner that the February 10, 2010  
11 communication is an invalid underground regulation, lacks statutory authority, or is preempted  
12 by the U.S. Constitution and federal law. Nor is entering into this Settlement Agreement an  
13 admission by the Real Parties In Interest that the February 10, 2010 communication is exempt  
14 from the Administrative Procedure Act, authorized by statute, or permitted by the U.S.  
15 Constitution or federal law.

16 2. In consideration of the agreements made by the respective parties, Petitioner agrees  
17 to dismiss his Petition for Writ of Mandate without prejudice, and Real Parties In Interest agree  
18 to dismiss their Cross-Complaints without prejudice.

19 3. The parties agree as follows:

20 a. The Department may maintain and update the List of entities doing business with the  
21 Iranian energy, nuclear, and military sectors. The Department may add entities to the List or  
22 remove entities from the List based on its continuing research and consultation with outside  
23 experts regarding entities' business transactions with the Iranian energy, nuclear, and military  
24 sectors.

25 b. If the Department adds an entity to the List or removes an entity from the List, the  
26 Department shall notify all insurers of the change to the List. The Department may satisfy this  
27 notification requirement by creating a page on the Department's website which will allow  
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1 individuals to register by e-mail to receive notification of changes to the List of Companies in  
2 Iran.

3 c. The Department may periodically issue a press release, stating the number of  
4 insurers holding investments in entities on the List. Solely to illustrate the nature of such a  
5 release and to guide the parties implementing this Settlement Agreement in the future, the  
6 following example is provided: "Of 1300 insurance companies doing business in California,  
7 only 150 insurers now hold investments in entities on the List. For further information, go to  
8 the Department's website at [www.insurance.ca.gov](http://www.insurance.ca.gov)."

9 d. The Department may identify, on its website, the insurers with investments in  
10 entities on the List. An insurer identified on the Department's website as making investments  
11 in entities on the List may appeal that identification to the Petitioner. The website  
12 identification of insurers making investments in entities on the List shall not include any  
13 information concerning the investment, such as, the name of the entity, the amount of the  
14 investment, or the date the investment was made. Any identification on the Department's  
15 website of insurers making investments in entities on the List shall be accompanied by the  
16 following statement: "Nothing contained in this document is intended to infer or imply that  
17 holding such investments is unlawful."

18 e. If the Department adds an entity to the List, it shall not add an insurer holding an  
19 investment in the added entity to the insurers identified on the Department's website until 90  
20 days after providing notice to insurers of the added entity pursuant to paragraph 3(b).

21 f. The Department shall not use any administrative matter, such as approval of rate or  
22 policy form applications, resolution of consumer complaints, or the institution or handling of  
23 financial or market conduct exams, or take any other action, except as provided in paragraphs  
24 c., d. and g, to pressure or punish any insurer: (1) because it holds investments in entities on the  
25 List, (2) because it has new investments in entities on the List, or (3) because of its response or  
26 non-response to previous requests to withhold investments in entities on the List. Nor shall the  
27 Department, in any administrative matter or in any other action, except as provided in  
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1 paragraphs c., d. and g., favor insurers because they divested from investments in entities on the  
2 List or agree to withhold future investments in entities on the List.

3 g. If an insurer chooses to divest all investments in entities on the List for any reason,  
4 including pursuant to private entreaties by Petitioner, the Department shall, following  
5 notification by the insurer and confirmation by the Department, and within ten business days of  
6 such confirmation, remove that insurer from the Department's website indentifying insurers  
7 holding investments in entities on the List.

8 h. The Department will cease treating investments in entities on the List as non-  
9 admitted assets. The Department will, as of the effective date of this Settlement Agreement, no  
10 longer require insurers to report investments in entities on the List separately on their financial  
11 statements.

12 4. This Settlement Agreement shall be deemed to have been drafted equally by all  
13 parties. Accordingly, the parties agree that any and all rules of construction to the effect that  
14 ambiguity is to be construed against the drafting party shall be inapplicable in any dispute  
15 concerning the terms, meaning, or interpretation of this Settlement Agreement.

16 5. This Settlement Agreement may be executed in counterparts.

17 6. The effective date of this Settlement Agreement is January 18, 2012.

19 DATED: January 27, 2012

DAVE JONES, Commissioner,  
Department of Insurance

20  
21 By: 

22 DATED: January \_\_\_\_, 2012

AMERICAN COUNCIL OF LIFE  
INSURERS

23  
24 By: \_\_\_\_\_

26 DATED: January \_\_\_\_, 2012

AMERICAN INSURANCE  
ASSOCIATION

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28 By: \_\_\_\_\_

1 DATED: January \_\_\_\_, 2012

ASSOCIATION OF CALIFORNIA  
INSURANCE COMPANIES

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By: \_\_\_\_\_

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DATED: January \_\_\_\_, 2012

ASSOCIATION OF CALIFORNIA LIFE  
AND HEALTH INSURANCE  
COMPANIES

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By: \_\_\_\_\_

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DATED: January \_\_\_\_, 2012

PERSONAL INSURANCE  
FEDERATION OF CALIFORNIA

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By: \_\_\_\_\_

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DAVE JONES, Commissioner,  
Department of Insurance

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By: \_\_\_\_\_

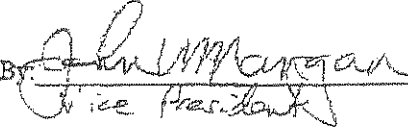
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23 DATED: January 19, 2012

AMERICAN COUNCIL OF LIFE  
INSURERS

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By:   
Vice President

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27 DATED: January \_\_\_\_, 2012

AMERICAN INSURANCE  
ASSOCIATION

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By: \_\_\_\_\_

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19 DATED: January \_\_\_\_, 2012

DAVE JONES, Commissioner,  
Department of Insurance

By: \_\_\_\_\_

22 DATED: January \_\_\_\_, 2012

AMERICAN COUNCIL OF LIFE  
INSURERS

By: \_\_\_\_\_

26 DATED: January 19, 2012

AMERICAN INSURANCE  
ASSOCIATION

By: Marjorie Berke  
Marjorie Berke, Vice President



1 DATED: January 19, 2012

ASSOCIATION OF CALIFORNIA  
INSURANCE COMPANIES

By: [Signature]

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4 DATED: January \_\_\_\_, 2012

ASSOCIATION OF CALIFORNIA LIFE  
AND HEALTH INSURANCE  
COMPANIES

By: \_\_\_\_\_

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8 DATED: January \_\_\_\_, 2012

PERSONAL INSURANCE  
FEDERATION OF CALIFORNIA

By: \_\_\_\_\_

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1 DATED: January \_\_\_\_, 2012

ASSOCIATION OF CALIFORNIA  
INSURANCE COMPANIES

By: \_\_\_\_\_

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4 DATED: January 19<sup>th</sup>, 2012

ASSOCIATION OF CALIFORNIA LIFE  
AND HEALTH INSURANCE  
COMPANIES

By: Paul Wenger

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8 DATED: January \_\_\_\_, 2012

PERSONAL INSURANCE  
FEDERATION OF CALIFORNIA

By: \_\_\_\_\_

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1 DATED: January \_\_\_\_, 2012

ASSOCIATION OF CALIFORNIA  
INSURANCE COMPANIES

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By: \_\_\_\_\_

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4 DATED: January \_\_\_\_, 2012

ASSOCIATION OF CALIFORNIA LIFE  
AND HEALTH INSURANCE  
COMPANIES

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By: \_\_\_\_\_

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8 DATED: January 19, 2012

PERSONAL INSURANCE  
FEDERATION OF CALIFORNIA

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By: *R. D. Frazier*  
President

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