STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

In re:	)	
	)	
Farm Bureau Town & Country	)	Examination No. 0810-16-TGT
Insurance Company (NAIC #26859)	)	
	)	

ORDER OF THE DIRECTOR

NOW, on this 18th day of DECEMBER 2012, Director John M. Huff, after consideration and review of the market conduct examination report and addendum report of Farm Bureau Town & Country Insurance Company, (NAIC #26859) (hereafter referred to as "Farm Bureau") report number 0810-16-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, and the Stipulation of Settlement ("Stipulation") does hereby adopt such reports as filed. After consideration and review of the Stipulation, reports, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such reports are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4), RSMo.

This order, issued pursuant to §§374.205.3(4) and 374.280, RSMo and §374.046.15. RSMo (Cum. Supp. 2010), is in the public interest.

IT IS THEREFORE ORDERED that Farm Bureau and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that Farm Bureau shall not engage in any of the violations of law

and regulations set forth in the Stipulation and shall implement procedures to place the Company in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

IT IS FURTHER ORDERED that Farm Bureau shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $73,000 payable to the Missouri State School Fund.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 18th day of December, 2012.

John M. Huff
Director

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

TO: Farm Bureau Town & Country Insurance Company
701 S. Country Club Dr.
Jefferson City, MO 65102

RE: Farm Bureau Town & Country Insurance Co. (NAIC #26859)
Missouri Market Conduct Examination #0810-16-TGT

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by John M. Huff, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, hereinafter referred to as "Director," and Farm Bureau Town & Country Insurance Company, (hereafter referred to as "Farm Bureau"), as follows:

WHEREAS, John M. Huff is the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereafter referred to as "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, Farm Bureau has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Department conducted a Market Conduct Examination of Farm Bureau and prepared report number 0810-16-TGT and addendum report number 0810-16-TGT; and

WHEREAS, the report of the Market Conduct Examination revealed that:

1. In four (4) instances, Farm Bureau used incorrect base rates for its uninsured motorist coverage on ATV and motorcycle policies, in violation of §379.321[1], and 20 CSR 500-4.100(6);

2. In three (3) instances, Farm Bureau used incorrect rates on commercial property policies in violation of §379.321 and 20 CSR 500-4.100(6);

3. In ninety-nine (99) instances, Farm Bureau did not include payment of the title fee plus the processing fee in the total loss settlement amounts in violation of §§144.027 and 375.1007(4);

4. In one (1) instance, Farm Bureau failed to include an insured's deductible amount on the Missouri Tax Affidavit in violation of §144.027 and 20 CSR 300-2.200 (B) (3)

5. In two (2) instances, Farm Bureau incorrectly determined that a claim was a total loss in violation of §§ 301.227 and 20 CSR 300-2.200 (3) (B);

6. In two (2) instances, Farm Bureau failed to include certain claims documentation in its private passenger auto total loss paid claim files in violation of §374.205.2 (2), 20 CSR 300-2.100 and 20 CSR 300-2.200 (3) (B);

7. In twenty-six (26) instances, Farm bureau failed to include certain claims documentation in paid homeowner claim files in violation of §374.205.2 (2) and 20 CSR 300-2.200 (3) (B);

8. In one (1) instance, Farm Bureau engaged in a claims handling error on farm owner paid claims in violation of §375.1007(2) and 20 CSR 100-1.030 (2);

9, In one (1) instance, Farm Bureau engaged in claim handling error on farm owner paid claims in violation of §375.1007(4) and 20 CSR 100-1.050 (1) (A);

10. In seventeen (17) instances Farm Bureau failed to include certain claims documentation in its farm owner paid claim files in violation of §374.205.2 (2) and 20 CSR 300-2.200 (3) (B);

11. In one (1) instance, Farm Bureau did not include a denial letter in a claim file in violation of §374.205.2 (2), §375.1007 (4), 20 CSR 100-1.050 (1) (A) and 20 CSR 300-2.200 (B) (3);

12. In one (1) instance, Farm Bureau did not provide supporting documents regarding the dwelling depreciation calculation in violation of §374.205.2 (2), 408.020, 20 CSR 300-2.100 and 20

---

1 All references, unless otherwise noted, are to revised statutes of Missouri 2000, as amended.

CSR 300-2.200 (B) (3);

13. In thirty-one (31) instances, Farm Bureau failed to include certain claims documentation in its mobile home owner's paid claim files in violation of §374.205.2 (2) and 20 CSR 300-2.200 (3) (B);

14. In four (4) instances, Farm Bureau committed errors in commercial auto paid comprehensive and collision claims in violation of §374.205.2 (2) and 20 CSR 300-2.200 (3) (B);

15. In six (6) instances, Farm Bureau failed to include certain claims documentation in its commercial property paid claim files in violation of §374.205.2 (2) and 20 CSR 300-2.200 (3) (B).

WHEREAS, the addendum report of the Market Conduct examination revealed that:

1. In twelve (12) instances, errors were found in Farm Bureau's homeowner paid claims violating subsections (12), (1), (4), (3) and (2) of §375.1007 and violating 20 CSR 100- 1.020 (1) (A) and (B), 20 CSR 100-1.030 (1) and (2), 20 CSR 100-1.050 (1) (A), 20 CSR 100-1.050 (1) (D), §§374.205.2 (2), 379.475.4, and 20 CSR 300-2.200 (3) (B);

2. In seven (7) instances, errors were found in Farm Bureau's paid farm owner claims in violation of §§ 375.1007 (4) and (3), 379.475.4, 374.205.2 (2), 408.020, 20 CSR 100-1.050 (1) (C), and 20 CSR 300.2.200 (3) (B);

3. In five (5) instances, errors were found in Farm Bureau's non-paid homeowner claims in violation of §§ 375.1007 (12) (1) and (4), 379.475.4, 374.205.2 (2), 20 CSR 100-1.050 (1) (A), 20 CSR 300-2.200 (3) (B), and 20 CSR 100-8.040 (3) (B);

4. In two (2) instances, an error was found in Farm Bureau's non paid farm owner claims in violation of §§375.1007 (4) and (12), 374.205.2 (2), 379.475.4, 20 CSR 100-8.040, and 20 CSR 100-1.050 (1) (A)

WHEREAS, Farm Bureau hereby agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those corrective actions at all times, including, but not limited to, taking the following actions:

1. Farm Bureau agrees to take corrective action to assure that the errors noted in the above-referenced market conduct examination reports do not recur.

2. Farm Bureau agrees to develop and implement written policies and procedures to ensure that claim files are sufficiently documented that it can be determined from the file whether a claim was fairly and adequately settled. In addition, Farm Bureau agrees to implement written

policies and procedures to ensure that claim files are adequately documented with depreciation inputs so that it can be determined that depreciation was calculated in a fair and reasonable manner. These written policies and procedures shall be implemented companywide within 120 days of the date of the order closing this examination. In addition, training in the newly implemented policies and procedures shall be provided to all company employees handling claims or maintaining claim files, including all newly hired employees handling claims or maintaining claim files. Documentation of the remedial measures taken by Farm Bureau to implement the terms of this Paragraph 2 shall be provided to the Department within 180 days of the date of the order closing this examination.

3. Farm Bureau agrees that it will make payment of the title fee plus the processing fee to claimants on all auto total loss settlements, beginning 120 days from the date a final order is entered in this matter.

WHEREAS, Farm Bureau, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, Farm Bureau hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0810-16-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of $73,000.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of Farm Bureau to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Farm Bureau does hereby voluntarily and knowingly waive all rights to any hearing, does consent to undertake the corrective actions set forth in this Stipulation, does consent to the ORDER of the Director and does surrender and forfeit the sum of $73,000, such sum payable to the Missouri State School Fund, in accordance with §374.280.

DATED: 11/30/2012

President,
Farm Bureau Town & Country Insurance Co.

MISSOURI FARM BUREAU INSURANCE SERVICES
Farm Bureau Town & Country Insurance Company of Missouri • Farm Bureau New Horizons Insurance Company of Missouri
Farm Bureau Life Insurance Company of Missouri • Missouri Farm Bureau Insurance Brokerage, Inc.
P.O. Box 658, 701 South Country Club Drive, Jefferson City, MO 65102 / (573) 893-1400

RECEIVED
NOV 1 9 2009
MO. DEPT OF INSURANCE
FINANCIAL INSTITUTIONS
PROFESSIONAL REGISTRATION

November 17, 2009

Carolyn H. Kerr, Senior Counsel
Market Conduct Section
Department of Insurance
301 West High Street, Room 530
P O Box 690
Jefferson City, MO 65102-0690

RE: Missouri Market Conduct Examination #0810-16-TGT
Farm Bureau Town & Country Insurance Company (NAIC# 26859)

Dear Ms. Kerr,

We have received and reviewed the draft examiners' market conduct report. We offer the following comments and responses to the draft report. Please note that if no comments or responses were provided with respect to an item, we have reviewed the item and are in agreement with the examiners' findings. We have also included comments on corrective action or changes made in response to the findings.

I. Underwriting and Rating Practices
B. Underwriting and Rating
In regards to the underwriting items discussed on pages 8-10 of the draft report, we agree with these findings and have either issued refunds, corrected systems or filed rate or rule revisions as appropriate to address these items.

II. Claims Practices
B. Unfair Settlement and General Handling Practices
Item 2 (page 14) Private Passenger Auto Collision Paid Claims
The Company disagrees that the file lacked documentation of $540 deduction. In particular, the file did contain pictures of the vehicle which indicated average condition of the vehicle which supported the condition adjustment (soiled & worn interior as well as moderate imperfections on exterior). The file did not contain documentation of the specific calculation of the condition adjustment amount, the source of such value, etc., however, the claim representative did indicate the adjustment was due to condition and the owner agreed that the adjustment was reasonable and accepted the figure as offered by the claim representative.

We have recently taken additional steps to ensure proper file documentation on such losses. In April 2009, we introduced a Total Loss Worksheet which will assist to

document these losses going forward and includes a section to document condition and derivation of any condition adjustments.

Item 3 (page 14-15) Private Passenger Auto Total Loss Paid Claims
Regarding the claims in which the Company did not include the title fee of $8.50 plus the $2.50 processing fee in the total loss settlement amount:

Farm Bureau Town & Country Insurance Company of Missouri (Town & Country) has not been including title fee or processing fee explicitly in the settlement of the total loss claims. We, respectively, disagree that this is in violation of the statute indicated (144.027 RSMo) for the following reasons:

The statute states "When a motor vehicle, trailer, boat or outboard motor for which all sales or use tax has been paid is replaced…., the director shall permit the amount of the insurance proceeds plus any owner's deductible obligation, as certified by the insurance company, to be a credit against the purchase price of another motor vehicle, trailer, boat, or outboard motor ….." This statute addresses the credit to sales or use tax but does not specifically address claims settlement practices related to title fees or processing fees in the event of a total vehicle loss. While the statute does not define sales or use tax, the Department of Revenue's website defines Sales & Use Tax as follows:

"The state's sales tax is imposed on the purchase price of tangible personal property or taxable service sold at retail."

"The state's use tax is also 4.225 percent, and it is imposed on the use, storage or consumption of tangible personal property shipped into Missouri from out of state."

Neither of these definitions includes any reference to Title Fee or Processing Fee.

The criticism cites this statute and does not cite any related regulation. To our knowledge, no current statute, regulation, department bulletin or reported court case addresses the payment of the title and/or processing fee upon the total loss of a vehicle. Furthermore, Town & Country has not been notified by any means, including prior market conduct exams, of such alleged requirement.

The private passenger auto insurance policy sold by Town & Country does not include provisions for payment of such fees within collision or other than collision coverage. Additionally, for all third party physical damage claims, signed releases are secured which indicate acceptance of the negotiated claims values by the third party.

Finally, we have reviewed the complaints since 2007 and we have not received a single complaint regarding non-payment of title fees and/or processing fees.

Subsequent to the original criticism issuance and Town & Country response, the examiners added a statute reference of 375.1007(4) RSMo. We disagree that we have failed to fairly and equitably settle these total loss auto claims. Claimants and

policyholders are not required and do not necessarily purchase replacement vehicles after the total loss of a vehicle. Town & Country does not have knowledge at the time of the settlement or later as to whether a replacement vehicle has been or will be purchased. Without purchasing such replacement vehicle, the insured certainly does not incur the title fee or processing fee. The private passenger auto insurance policy does not provide for reimbursement of fees associated with the replacement vehicle. Other fees the insured could be subject to when replacing a vehicle such as a delivery fee on the new vehicle, would not be considered in the settlement of the total loss vehicle. We believe the title and processing fees are similar in nature. Claimants and policyholders involved in these claims have accepted the settlements without challenge with respect to title fees or associated processing fees.

Regarding claims 241391 and 247950 for which the estimates did not exceed 80% of the actual cash value of the vehicle:

The Company disagrees. While the 80% of ACV determines whether a salvage title is required, we do not necessarily use the 80% of ACV as a determination of a vehicle total. Estimates of values less than 80% of ACV may be deemed a total loss by the Company after consideration of other expenses and salvage value.

While the damage estimate for claim 241391, in and of itself, may not have indicated a total loss, the type and extent of the damage increased the likelihood of identification of additional damage during a more complete estimate (teardown) or during the repair process. We may have also expected to collect a greater rate for the salvage at the time of the settlement than was actually realized. With consideration to the probability of additional damage being found, the transportation expense and salvage expectations, we determined the vehicle was economically a total loss.

Two estimates of damage were done for claim 247950, one on the body and one on the suspension. We expected that the suspension estimate was probably not complete given that historically suspension damage claims generate supplemental payments when repairs are actually completed. Considering the estimated salvage value and the repair estimates along with the probability of supplemental payments, this vehicle was determined to be economically a total loss.

Item 7 (page 17-18) Homeowners Paid Claims
The Company agrees that the specific parameters on which the depreciation calculation was based were not shown in the files cited.

The Company believes that the depreciation amount in these cases was reasonable. The depreciation calculation is explained to the insured at the time of presentation of the estimate.

Some estimates are completed using Xactimate. Xactimate is a software program used by many insurance companies for property loss valuation. Xactimate allows depreciation based on either age, percentage or dollar amount. The Company utilizes the age method.

While the age and life expectancy of the roof are required inputs into the Xactimate program, the information is not printed on the estimate. The Xactimate representatives indicated to us that they have not been asked by users for this information to display on the estimate. The Xactimate depreciation schedule has been provided in response to a prior criticism.

Subsequent to the original issuance of the criticism and response by Town & Country, the examiners have referenced an additional statute §374.205.2(2) RSMo. We do not understand why this particular statute has been referenced with respect to the issue of the depreciation calculation. We have provided all documentation that we have of these claims in a timely manner.

Item 8 (pages 18-19) Farm Owners Paid Claims
Regarding the 16 claims files which lacked documentation of the depreciation calculation:

The Company agrees that these files did not contain the specific parameters used for the calculation of depreciation. The Company feels that the depreciation amounts were reasonable. Depreciation is explained to the insured when the estimate is presented. In many cases, the Company utilizes a software called Xactimate. Xactimate is a software program used by many insurance companies for property loss valuation. Xactimate allows depreciation based on either age, percentage or dollar amount. The Company utilizes the age method. While the age and life expectancy of the roof are required inputs into the Xactimate program, the information is not printed on the estimate. The Xactimate representatives indicated to us that they have not been asked by users for this information to display on the estimate. The Xactimate depreciation schedule has been provided in response to a prior criticism.

Subsequent to the original issuance of the criticism and response by Town & Country, the examiners have referenced an additional statute §374.205.2(2) RSMo. We do not understand why this particular statute has been referenced with respect to the issue of the depreciation calculation. We have provided all documentation that we have of these claims in a timely manner.

Item 9 (page 20) Mobile Home Owners Paid Claims
Regarding the 31 claims files which lacked documentation of the depreciation calculation:

The Company agrees that these files did not specifically indicate the ages and life expectancy used in calculation of the depreciation amount. The Company feels that the depreciation amounts were reasonable. Depreciation is explained to the insured when the estimate is presented. In many cases, the Company utilizes a software called Xactimate. Xactimate is a software program used by many insurance companies for property loss valuation. Xactimate allows depreciation based on either age, percentage or dollar amount. The Company utilizes the age method. While the age and life expectancy of the roof are required inputs into the Xactimate program, the information is not printed on the

estimate. The Xactimate representatives indicated to us that they have not been asked by users for this information to display on the estimate. The Xactimate depreciation schedule has been provided in response to a prior criticism.

Subsequent to the original issuance of the criticism and response by Town & Country, the examiners have referenced an additional statute §374.205.2(2) RSMo. We do not understand why this particular statute has been referenced with respect to the issue of the depreciation calculation. We have provided all documentation that we have of these claims in a timely manner.

Item 16 (page 22) Commercial Property Paid Claims

The Company agrees that the ages and life expectancies used in the calculation of the depreciation were not specifically shown in the file. The Company feels that the depreciation amounts were reasonable. Depreciation is explained to the insured when the estimate is presented. In many cases, the Company utilizes a software called Xactimate. Xactimate is a software program used by many insurance companies for property loss valuation. Xactimate allows depreciation based on either age, percentage or dollar amount. The Company utilizes the age method. While the age and life expectancy of the roof are required inputs into the Xactimate program, the information is not printed on the estimate. The Xactimate representatives indicated to us that they have not been asked by users for this information to display on the estimate. The Xactimate depreciation schedule has been provided in response to a prior criticism.

Subsequent to the original issuance of the criticism and response by Town & Country, the examiners have referenced an additional statute §374.205.2(2) RSMo. We do not understand why this particular statute has been referenced with respect to the issue of the depreciation calculation. We have provided all documentation that we have of these claims in a timely manner.

The majority of the errors in Items 7, 8, and 16 were related to insufficient documentation of the depreciation parameters. We have reminded our adjusters that documentation is important and that these parameters need to be documented appropriately. This documentation is easy and doesn't add any additional steps to working the claim when we are doing an estimate by hand. However, when the estimate is done using the estimation tool Xactimate, since that system does not print out these parameters, an extra step will be required to document the file. While this is not impossible, it does create an inefficiency in the processing of the claim. We are committed to creating a more efficient claims settlement process so that policyholders and claimants are serviced on the shortest timeline possible.

We feel it is important for the Department to consider the error ratios exclusive of the documentation of depreciation issue. The error ratios for homeowners, farm owners, mobile home owners and commercial property paid claims would be 4%, 3%, 2.9%, and 0%, respectively.

General Comments:
We are pleased with the overall findings of the market conduct report and hope the Department is also pleased with the results. All error ratios for Underwriting and Rating Practices fell below the NAIC benchmark rate of 10%, with only 4 unique errors throughout all associated categories. While the error ratios for the Claims Practices did exceed the NAIC benchmark rate of 7% in some cases, by in large, these deviations were driven by two cited issues: 1) non-payment of title and processing fees and 2) insufficient documentation of the depreciation calculation on property. Setting these two issues aside, the error ratios would be below the benchmark in all categories. Regarding complaints and Time Study of Criticisms and Formal Requests, no issues or concerns were raised.

The two primary drivers of the claims practices error ratios are the title fee issue and the documentation of depreciation issue. We have addressed the documentation issue by reminding adjusters to include the parameters for this determination in their written estimates and to document the file when an electronic estimate is used. While certainly we can appreciate the importance of documentation, for both transparency and understanding, we believe that the appropriateness of the application of depreciation itself was not a question but only the documentation of the calculation. We will continue to look for ways to improve the documentation of the files while maintaining efficiency in our claims service.

With respect to the title fee issue, our stance has been set forth in our response above.

Sincerely,

Michelle L Sheppard

Michelle Sheppard
Manager, Farm Bureau Town & Country
Insurance Company of Missouri

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND
PROFESSIONAL REGISTRATION

FINAL MARKET CONDUCT EXAMINATION REPORT

Of the Property and Casualty Business of

Farm Bureau Town and Country Insurance Company.
NAIC # 26859

MISSOURI EXAMINATION # 0810-16-TGT

NAIC EXAM TRACKING SYSTEM # MO268-M86

November 7, 2012

Home Office
701 S. Country Club Drive
Jefferson City, Missouri 65102

TABLE OF CONTENTS

FOREWORD		3
SCOPE OF EXAMINATION		4
COMPANY PROFILE		5
EXECUTIVE SUMMARY		6
EXAMINATION FINDINGS		7
I.	**UNDERWRITING AND RATING PRACTICES**	7
A.	Forms and Filings	8
B.	Underwriting and Rating	8
C.	Personal and Commercial Lines Terminations	10
D.	Practices Not in the Best Interest of Consumers	12
II.	**CLAIMS PRACTICES**	12
A.	Claims Time Study	13
B.	Unfair Settlement and General Handling Practices	13
C.	Practices Not in the Best Interest of Consumers	24
III.	**COMPLAINTS**	24
IV.	**CRITICISMS AND FORMAL REQUESTS TIME STUDY**	25
A.	Criticism Time Study	25
B.	Formal Request Time Study	25
EXAM REPORT SUBMISSION		26

FOREWORD

This is a targeted market conduct examination report of the Farm Bureau Town and Country Insurance Company, (NAIC Code # 26859). This examination was conducted at the office of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- "Company" refers to Farm Bureau Town and Country Insurance Company;
- "CSR" refers to the Missouri Code of State Regulation;
- "DIFP" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Director" refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "NAIC" refers to the National Association of Insurance Commissioners;
- "RSMo" refers to the Revised Statutes of Missouri.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1 2008, through December 31, 2008, unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination was a targeted examination involving the following business functions and lines of business: Company Complaints, Personal Auto, Farm Owners, Mobile Homeowners, Homeowners, Commercial Auto, Commercial Auto Underwriting, Personal and Commercial Policy Terminations, and Personal and Commercial Paid and Non-Paid Claims.

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized, however, for reviews not applying the general business practice standard.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

Farm Bureau Town and Country Insurance Company of Missouri is a multi-line property and casualty company offering coverage for automobiles, motorcycles, boats, farms, homes, renters, business, liability and umbrella liability. Town and Country's roots go back to 1946 and 1971 when Farm Bureau Mutual Insurance Company of Missouri and Farm Bureau Casualty Insurance Company were formed to serve the insurance needs of Farm Bureau members. In 1977, the companies merged and became the company we know today.

Town and Country is licensed only in the state of Missouri and is represented by more than 200 captive agents who write insurance in every county. In 2008, Town and Country was the second largest writer of farm-owners insurance, eighth largest writer of homeowners insurance, and ninth largest writer of private passenger automobile insurance in the state and ranked eighth overall in property and casualty premiums.

Farm Bureau Town and Country of Missouri is rated by A. M. Best as A-(Excellent), Stable.

Farm Bureau Town and Country Insurance Company of Missouri, along with Farm Bureau New Horizons Insurance Company of Missouri, Farm Bureau Life Insurance Company of Missouri and Missouri Farm Bureau Insurance Brokerage, Inc. make up a group of companies marketed and referred to as the Farm Bureau Family of Companies.

EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of Farm Bureau Town and Country Insurance Company. The examiners found the following principal areas of concern:

- The examiners noted four violations in the Company's private passenger auto underwriting and three violations in its commercial auto underwriting.
- The examiners also found violations in the private passenger paid claims, homeowners paid claims, farm owners paid claims, and mobile homeowners paid claims.

The examiners requested that the Company make refunds concerning underwriting premium overcharges and claim underpayments found for amounts greater than $5.00 during the examination if any were found.

Various non-compliant practices were identified, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the Missouri insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

EXAMINATION FINDINGS

I. UNDERWRITING AND RATING PRACTICES

This section of the report is designed to provide a review of the Company's underwriting and rating practices. These practices included the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage. Examiners reviewed how the Company handled new and renewal policies to ensure that the Company underwrote and rated risks according to their own underwriting guidelines, filed rates, and Missouri statutes and regulations.

Because of the time and cost involved in reviewing each policy/underwriting file, the examiners utilize sampling techniques in conducting compliance testing. A policy/underwriting file is determined in accordance with 20 CSR 100-8.040 and the NAIC Market Regulation Handbook. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.930 – 375.948 and §375.445) and compared with the NAIC benchmark error rate of ten percent (10%). Error rates in excess of the NAIC benchmark error rate are presumed to indicate a general business practice contrary to the law. Errors indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

The examiners requested the Company underwriting and rating manuals for the line of business under review. This included all rates, guidelines, and rules that were in effect on the first day of the examination period and at any point during that period to ensure that the examiners could properly rate each policy reviewed.

The examiners also reviewed the Company's procedures, rules, and forms filed by or on behalf of the Company with the DIFP. The examiners systematically selected the policies for review from a listing furnished by the Company.

The examiners also requested a written description of significant underwriting and rating changes that occurred during the examination period for underwriting files that were maintained in an electronic format.

An error can include, but is not limited to, any miscalculation of the premium based on the information in the file, an improper acceptance or rejection of an application, the misapplication of the company's underwriting guidelines, incomplete file information preventing the examiners from readily ascertaining the company's rating and underwriting practices, and any other activity indicating a failure to comply with Missouri statutes and regulations.

A. Forms and Filings

The examiners reviewed the company's policy and contract forms to determine its compliance with filing, approval, and content requirements to ensure that the contract language is not ambiguous or misleading and is adequate to protect those insured.

B. Underwriting and Rating

The examiners reviewed applications for coverage that were issued, modified, or declined by the company to determine the accuracy of rating and adherence to prescribed and acceptable underwriting criteria.

1. Personal Auto Underwriting

Field Size:	88,688
Sample Size:	50
Type of Sample:	Random
Number of Errors:	4
Error Ratio:	8%

The examiners discovered that the Company had not correctly used the filed base rate for UM on ATV and Motorcycles. This error affected 16,609 vehicle units with a total undercharge of $77,877.08, according to the Company's figures.

Policy Numbers:	APV0377685-00	APV0321192-10
	APV0321953-09	APV0379992-00

Reference: §379.321, RSMo, and 20 CSR 500-4.100(6).

2. Homeowners Underwriting

Field Size:	44,374
Sample Size:	50
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0%

The examiners discovered no issues in this review.

3. Farm Owners Underwriting

Field Size:	20,141
Sample Size:	50
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0%

The examiners discovered no issues in this review.

4. Mobile Homeowners Underwriting

Field Size:	3,318
Sample Size:	50
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0%

The examiners discovered no issues in this review.

5. Commercial Auto Underwriting

Field Size:	9,086
Sample Size:	50
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0%

The examiners discovered no issues in this review.

6. Commercial Property Underwriting

Field Size:	5,105
Sample Size:	50
Type of Sample:	Random
Number of Errors:	3
Error Ratio:	6%

The Company used an incorrect rate of $2.58 for increased limits factor for vacant land other than non-for-profit classification code 49451. The correct rate filed with the DIFP is $2.32.

The error impacted 22 policies including the above policy cited for policy years spanning 2007, 2008, and 2009 year to date for an overcharge plus nine percent interest in the amount of $1,977.19.

Policy Number: CPP0203764-09

Reference: §379.321, RSMo, and 20 CSR 500-4.100(6).

The Company used an incorrect A- package rate factors to determine the policy premium. This resulted in a undercharge to the Company of $210.20 for policy years 4/2/2008 to 4/2/2009 and renewed for 4/2/2009 to 4/2/2010.

The error impacted 30 other policies issued in 2007, 2008, and 2009 year to date with the same error. Three of the policies resulted in refunds to the insurers in the amount of $544.07 with nine percent interest included. The other 27 policies resulted in undercharges to the Company in the amount of $5,894.38.

Policy Number: CPP0214196

Reference: §379.321, RSMo, and 20 CSR 500-4.100(6).

The Company used an incorrect rate of $1.32 for their Commercial Fire Modification Factors for Mercantile program. The correct filed rate with the DIFP is $1.36. This caused an undercharge to the Company in the amount of $175.41

The misuse has spanned policy years 2007, 2008, and 2009 year to date in which 629 policies and 1,418 modifications were affected by this mistake. The total amount of undercharge to the Company was $51,241.22.

Policy Number: CPP0210285-05

Reference: §379.321, RSMo, and 20 CSR 500-4.100(6).

C. Personal and Commercial Lines Terminations

The examiners reviewed policies that the carrier terminated at or before the scheduled expiration date of the policies and policies that were rescinded by the company after the effective date of the policy.

1. Personal Auto Terminations

Field Size:	1,088
Sample Size:	106
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0%

The examiners discovered no issues in this review.

2. Homeowners Terminations

Field Size:	900
Sample Size:	106
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0%

The examiners discovered no issues in this review.

3. Farm Owners Terminations

Field Size:	174
Sample Size:	174
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0%

The examiners discovered no issues in this review.

4. Mobile Homeowners Terminations

Field Size:	79
Sample Size:	79
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0%

The examiners discovered no issues in this review.

5. Commercial Lines Terminations

Field Size:	120
Sample Size:	120
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0%

The examiners discovered no issues in this review.

D. Practices Not in the Best Interest of Consumers

The examiners also looked for items that were not in the best interest of consumers. Not only could these practices be harmful to the insured, they may expose the company to potential liability.

The examiners discovered no issues in this review.

II. CLAIMS PRACTICES

This section of the report is designed to provide a review of the Company's claims handling practices. Examiners reviewed how the Company handled claims to determine the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners reviewed a statistical sampling of the claims processed. The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. The review consisted of Missouri claims selected from a listing furnished by the Company with a date of closing from January 1, 2007, through December 31, 2007.

A claim file is determined in accordance with 20 CSR 100-8.040 and the *NAIC Market Regulation Handbook*. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.1000 – 375.1018 and §375.445) and compared with the NAIC benchmark error rate of seven percent (7%). Error rates in excess of the NAIC benchmark error rate[s] are presumed to indicate a general business practice contrary to the law. Errors indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

A claim error includes, but is not limited to, any of the following:

- An unreasonable delay in the acknowledgement of a claim;
- An unreasonable delay in the investigation of a claim;
- An unreasonable delay in the payment or denial of a claim;
- A failure to calculate claim benefits correctly; and
- A failure to comply with Missouri law regarding claim settlement practices.

The examiners reviewed the claim files for timeliness. In determining timeliness, examiners looked at the duration of time the Company used to acknowledge the receipt of the claim, the time for investigation of the claim, and the time to make payment or provide a written denial.

Missouri statutes require the Company to disclose to first-party claimants all pertinent benefits, coverage or other provisions of an insurance policy under which a claim is presented. Claim denials must be given to the claimant in writing, and the Company must maintain a copy in its claim files.

A. Claims Time Studies

To test for compliance with timeliness standards, the examiners reviewed claim records and calculated the amount of time taken by the Company for claims processing. They reviewed the company's claims processing practices relating to (1) the acknowledgement of receipt of notification of claims; (2) the investigation of claims; and (3) the payment of claims or the providing of an explanation for the denial of claims.

DIFP regulations require companies to abide by the following parameters for claims processing:

- Acknowledgement of the notification of a claim must be made within 10 working days;
- Completion of the investigation of a claim must be made within 30 calendar days after notification of the claim. If more time is needed, the Company must notify the claimant and send follow-up letters every 45 days; and
- Payment or denial of a claim must be made within 15 working days after investigation of the claim is complete.

The examiners discovered no issues or concerns.

B. Unfair Settlement and General Handling Practices

In addition to the Claim Time Studies, examiners reviewed the company's claim handling processes to determine compliance with contract provisions and adherence to unfair claims statutes and regulations. Whenever a claim file reflected that the company failed to meet these standards, the examiners cited the company for noncompliance.

1. Private Passenger Auto Comprehensive Paid Claims

Field Size:	3,069
Sample Size:	100
Type of Sample:	Random
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

2. Private Passenger Auto Collision Paid Claims

Field Size:	267
Sample Size:	106
Type of Sample:	Random
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns relating to the Company's general business practices. However, there was one error found in the files reviewed that violated other insurance laws and which are not included in the error ratio.

Errors not included in ratio

The claim file did not contain documentation for the reason for the deduction in the valuation for the total loss value of the vehicle.

Claim Number: 246854

Reference: §374.205, RSMo, and 20 CSR 300-2.100 as (amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

3. Private Passenger Auto Total Loss Paid Claims

Field Size:	763
Sample Size:	100
Type of Sample:	Random
Errors:	99
Error Ratio:	99%

The examiners discovered issues or concerns relating to the Company's general business practices. Additionally, there were two errors found in some of the files reviewed that violated other insurance laws and which are not included in the error ratio.

In the following 99 claim files the Company did not include the title fee of $8.50 plus the $ 2.50 processing fee in the total loss settlement amount.

Claim Numbers:

203036	232792	236170	240134	243027	247592	250109
217288	233919	236183	240163	243407	247695	250130
223381	233945	236355	240679	244013	247950	250409
225817	234201	236491	240902	244092	247989	251192

228704	234318	236678	240943	244518	248599	251898
229432	234890	236892	241134	245514	248715	251997
230571	234967	237232	241391	246067	248764	252035
230663	235171	237711	241446	246313	249151	252048
230713	235363	237792	241565	246793	249601	252191
230853	235472	237808	241665	246824	249727	252384
231501	235809	238056	241763	246831	249739	252428
231902	235811	239003	241916	247508	249746	253026
232440	235874	239508	242381	247535	249800	253034
232643	236075	239920	242859	247568	249875	253065
						253199

Reference: §§ 375.1007(4) and 144.027, RSMo

The following claim file did not include the insured's deductible amount on the Missouri Sales Tax Affidavit. This caused an underpayment to the insured in the amount of $33.14.

Claim Number: 241391*

Reference: §144.027, RSMo, and 20 CSR 300-2.200(B)(3) (as amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

Claim Numbers: 241391* and 247950*

The Company provided estimates in the claim files that did not exceed 80% of the actual cash value of the vehicle. Therefore, the vehicle is not to be determined a total loss.

Reference: §301.227 RSMo, and 20 CSR 300-2.200(B)(3), (as amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

(*note claim is counted only once in the error ratio)

Errors not included in ratio

(1) The Company failed to maintain a copy of the salvage quote report for the owner retained settlement in the amount of $500.00 for the claimant.

Claim Number: 251898

Reference: §374.205.2 (2), RSMo, and 20 CSR 300-2.100, and 20 CSR 300-2.200(3)(B) (as amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

(2) The following claim file did not contain a copy of the actual cash value report documenting the settlement of the claim.

Claim Number: 244013

Reference: §374.205.2 (2), RSMo, and 20 CSR 300-2.100, and 20 CSR 300-2.200(3)(B) (as amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

4. Private Passenger Auto Medical Payment Paid Claims

Field Size:	693
Sample Size:	100
Type of Sample:	Random
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

5. Private Passenger Auto Subrogation Paid Claims

Field Size:	19
Sample Size:	19
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

6. Private Passenger Auto Uninsured Motorist Bodily Injury Paid Claims

Field Size:	68
Sample Size:	68
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

7. **Homeowners Paid Claims**

Field Size:	4,038
Sample Size:	100
Type of Sample:	Random
Errors:	26
Error Ratio:	26%

The Company did not deduct the insured's $500.00 deductible before issuing payment for the loss and did not document the depreciation calculation. The claim was over paid to the insured by $500.00.

Claim Number: 244368

Reference: §374.205.2 (2), RSMo, and 20 CSR 300-2.200(3)(B) (as amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

The claim files did not contain an estimate for damages for the claims paid.

Claim Numbers: 236036, 247954, and 244188

Reference: §374.205.2 (2), RSMo, and 20 CSR 300-2.200(3)(B) (as amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

The following 22 claim files did not contain supporting documents regarding the dwelling depreciation calculated in the estimate.

The Company agrees that the specific parameters on which the depreciation calculations were based were not in the claim files.

Claim Numbers:

230751	238806	242327	244060	244943	249905
234711	240990	242900	244132	245195	250177
237204	241343	243175	244188	246129	
238319	250808	244004	244407	247492	

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200(3)(B) (as amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

8. **Farm Owners Paid Claims**

Field Size:	2,856
Sample Size:	100
Type of Sample:	Random
Errors:	2
Error Ratio:	2%

The Company failed to contact the insured within 10 working days after receipt of notification of the claim.

Claim Number: 233019

Reference: §375.1007(2), RSMo, and 20 CSR 100-1.030(2).

The claim file did not provide a copy of the denial letter to the insured regarding the water/mold damage.

Claim Number: 243424

Reference: §375.1007(4), RSMo, and 20 CSR 100-1.050 (1) (A).

Errors not included in ratio

The following claim file did not contain an estimate for damages for the claim paid.

Claim Number: 238757

Reference: §374.205.2 (2), RSMo, and 20 CSR 300-2.200(3)(B) as (amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

The following 16 the claim files did not contain supporting documents regarding the dwelling depreciation calculated in the estimate.

The Company agrees that the specific parameters on which the depreciation calculations were based were not in the claim files.

Claim Numbers:

234567	238156	238406	238424
238571	240080	241145	241275
241568	241579	242284	242445
243010	243706	245745	248582

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200(3)(B) (as amended 20 CSR 100-8.040(3)(B),

9. **Mobile Home Owners Paid Claims**

Field Size:	68
Sample Size:	68
Type of Sample:	Census
Errors:	1
Error Ratio:	1.5%

This claim file did not contain a denial letter that was sent to the insured for his loss with specific references to any policy provision, condition and exclusion affecting the loss. The Company also failed to document the depreciation calculation regarding the dwelling loss.

Claim Number: 238193

Reference: §§374.205.2 (2) and 375.1007(4), RSMo, and 20 CSR 100-1.050(1)(A), and 20 CSR 300-2.200(B)(3) as (amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

Errors not included in ratio

This claim file did not provide supporting documents regarding the dwelling depreciation calculation stated on the estimate.

Claim Number: 251211

Reference: §§374.205.2 (2) and 408.020 RSMo, and 20 CSR 300-2.100, and 20 CSR 300-2.200(B)(3),(as amended 20 CSR 100-8.040 (3)(B), eff. 7/30/08).

The following 31 claims files did not contain supporting documents regarding the dwelling depreciation calculated in the estimate.

The Company agrees that the specific parameters on which the depreciation calculations were based were not in the claim files.

Claim Numbers:

231778	232951	234501	238130	241389	244720	248538
232454	232991	235099	238136	241529	246207	248569
232866	233050	254591	238223	241797	246959	250608
232873	234464	237068	239596	243921	247676	250748

251163 251211 251448

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200(3)(B) (as amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

10. **Commercial Auto Paid Comprehensive Claims**

Field Size:	242
Sample Size:	100
Type of Sample:	Random
Errors:	1
Error Ratio:	1%

The Company did not deduct the insured's $100.00 deductible before issuing payment for the loss. The claim was over paid to the insured by $100.00.

Claim Number: 250238

Reference: §374.205.2 (2), RSMo, and 20 CSR 300-2.200(3)(B) (as amended 20 CSR 100-8.040 (3) (B), eff. 7/30/08).

11. **Commercial Auto Paid Collision Claims**

Field Size:	243
Sample Size:	100
Type of Sample:	Random
Errors:	3
Error Ratio:	3%

The Company did not deduct the insured's $500.00 deductible before issuing payment for the loss. The claim was over paid to the insured by $500.00.

Claim Number: 246620

Reference: §374.205.2 (2), RSMo, and 20 CSR 300-2.200(3)(B) (as amended 20 CSR 100-8.040 (3) (B), eff. 7/30/08).

These claim files did not include the deductible amount on the sales tax affidavit.

Claim Numbers: 246520 and 248429

Reference: §144.027 RSMo, and 20 CSR 300-2.200(B)(3) (as amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

12. Commercial Auto Paid Total Loss Claims

Field Size:	20
Sample Size:	20
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

13. Commercial Auto Paid Medical Payment Claims

Field Size:	17
Sample Size:	17
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

14. Commercial Auto Paid Subrogation Claims

Field Size:	3
Sample Size:	3
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or in this review.

15. Commercial Auto Paid UMBI Claims

Field Size:	7
Sample Size:	7
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

16. Commercial Property Paid Claims

Field Size:	68
Sample Size:	68
Type of Sample:	Census
Errors:	6
Error Ratio:	8.8%

The following six claim files did not provide supporting documents regarding the dwelling depreciation calculated in the estimate.

The Company agrees that the specific parameters on which the depreciation calculations were based were not in the claim files.

Claim Numbers:

236555 237655 239770
239929 250610 250815

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200(3)(B) (as amended 20 CSR 100-8.040(3)(B), eff. 7/30/08).

17. Private Passenger Auto Non-Paid Claims

Field Size:	2,217
Sample Size:	111
Type of Sample:	Random
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

18. Homeowners Non-Paid Claims

Field Size:	2,245
Sample Size:	111
Type of Sample:	Random
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

19. Farm Owners Non-Paid Claims

Field Size:	1,285
Sample Size:	111
Type of Sample:	Random
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

20. Mobile Homeowners Non-Paid Claims

Field Size:	68
Sample Size:	68
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

21. Commercial Auto Non-Paid Claims

Field Size:	113
Sample Size:	113
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

22. Commercial Property Non-Paid Claims

Field Size:	68
Sample Size:	68
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns in this review.

C. Practices Not in the Best Interest of Consumers

The examiners also looked for items that were not in the best interest of consumers. Not only could these practices be harmful to the insured, they may expose the company to potential claims.

The examiners discovered no general business practice issues in this review.

III. COMPLAINTS

This section of the report is designed to provide a review of the Company's complaint handling practices. Examiners reviewed how the Company handled complaints to ensure it was performing according to its own guidelines and Missouri statutes and regulations.

Section 375.936(3), RSMo, requires companies to maintain a registry of all written complaints received for the last three years. The registry must include all Missouri complaints, including those sent to the DIFP and those sent directly to the company.

The examiners verified the company's complaint registry, dated January 1, 2005, through December 31, 2007. The registry contained a total of 39 complaints. They reviewed all 18 that went through DIFP and all 21 that did not come through the Department, but went directly to the company.

The review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by §375.936(3), RSMo, and 20 CSR 300-2.200(3)(D).

The examiners discovered no issues or concerns in this review.

V. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri law requires companies to respond to criticisms and formal requests within 10 calendar days. Please note that in the event an extension was requested by the company and granted by the examiners, the response was deemed timely if it was received within the time frame granted by the examiners. If the response was not received within that time period, the response was not considered timely.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received w/in time-limit, incl. any extensions	184	100%
Received outside time-limit, incl. any extensions	0	0 %
No Response	0	0 %
Total	184	100%

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040.

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
Received w/in time-limit, incl. any extensions	25	100%
Received outside time-limit, incl. any extensions	0	0%
No Response	0	0%
Total	25	100%

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Farm Bureau Town and Country Insurance Company, Examination Number (0810-16-TGT). This examination was conducted by Gary T. Meyer, EIC, Gerald Michitsch, and Darren Jordan. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated October 21, 2009. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

Jim Mealer,
Chief Market Conduct Examiner

12/12/2012
Date

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

FINAL MARKET CONDUCT EXAMINATION REPORT

ADDENDUM

Of the Property and Casualty Business of
Farm Bureau Town and Country Insurance Company.

NAIC # 26859
MISSOURI EXAMINATION # 0810-16-TGT

NAIC EXAM TRACKING SYSTEM # MO268-M86

November 7 2012

Home Office
701 S. Country Club Drive
Jefferson City, Missouri 65102

TABLE OF CONTENTS

FOREWORD..... 3

SCOPE OF EXAMINATION..... 4

COMPANY PROFILE..... 5

EXECUTIVE SUMMARY..... 6

EXAMINATION FINDINGS.....7

I. CLAIMS PRACTICES.....7

A. Claims Time Study..... 8
B. Unfair Settlement and General Handling Practices..... 8
C. Practices Not in the Best Interest of Consumers..... 20

II. CRITICISMS AND FORMAL REQUESTS TIME STUDY..... 21

A. Criticism Time Study..... 21
B. Formal Request Time Study..... 21

EXAM REPORT SUBMISSION..... 22

FOREWORD

This market conduct examination report of the Farm Bureau Town and Country Insurance Company, (NAIC Code # 26859) is an addendum report to supplement the draft report dated October 21, 2009, previously submitted to the Company. This supplemental targeted examination was conducted at the office of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- "Company" refers to Farm Bureau Town and Country Insurance Company;
- "CSR" refers to the Missouri Code of State Regulation;
- "DIFP" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Director" refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "NAIC" refers to the National Association of Insurance Commissioners;
- "RSMo" refers to the Revised Statutes of Missouri.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo.

The purpose of this further examination of claims was due to complaints received through the Department's Consumer Affairs Section to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2007, through December 31, 2009, unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination was a targeted examination involving the following business functions and lines of business: Company's paid and non-paid homeowners' and farm owners' claims.

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook.* As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized, however, for reviews not applying the general business practice standard.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

Farm Bureau Town and Country Insurance Company of Missouri is a multi-line property and casualty company offering coverage for automobiles, motorcycles, boats, farms, homes, renters, business, liability and umbrella liability. Town and Country's roots go back to 1946 and 1971 when Farm Bureau Mutual Insurance Company of Missouri and Farm Bureau Casualty Insurance Company were formed to serve the insurance needs of Farm Bureau members. In 1977, the companies merged and became the company we know today.

Town and Country is licensed only in the state of Missouri and is represented by more than 200 captive agents who write insurance in every county. In 2008, Town and Country was the second largest writer of farm-owners insurance, eighth largest writer of homeowners insurance, and ninth largest writer of private passenger automobile insurance in the state and ranked eighth overall in property and casualty premiums.

Farm Bureau Town and Country of Missouri is rated by A. M. Best as A-(Excellent), Stable.

Farm Bureau Town and Country Insurance Company of Missouri, along with Farm Bureau New Horizons Insurance Company of Missouri, Farm Bureau Life Insurance Company of Missouri and Missouri Farm Bureau Insurance Brokerage, Inc. make up a group of companies marketed and referred to as the Farm Bureau Family of Companies.

EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of Farm Bureau Town and Country Insurance Company. The examiners found the following principal areas of concern:

- The examiners found 12 violations in the Company's handling of its homeowners' paid claims.
- The examiners found seven violations in the Company's handling of its farm owners' paid claims.
- The examiners found five violations in the Company's handling of its homeowners' non-paid claims.
- The examiners found three violations in the Company's handling of its farm owners' non-paid claims.

The examiners requested that the Company make refunds concerning underwriting premium overcharges and claim underpayments found for amounts greater than $5.00 during the examination if any were found.

Various non-compliant practices were identified, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the Missouri insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

EXAMINATION FINDINGS

I. CLAIMS PRACTICES

This section of the report is designed to provide a review of the Company's claims handling practices. Examiners reviewed how the Company handled claims to determine the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners reviewed a statistical sampling of the claims processed. The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. The review consisted of Missouri claims selected from a listing furnished by the Company with a date of closing from January 1, 2007, through December 31, 2009.

A claim file is determined in accordance with 20 CSR 100-8.040 and the *NAIC Market Regulation Handbook*. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.1000 – 375.1018 and §375.445) and compared with the NAIC benchmark error rate of seven percent (7%). Error rates in excess of the NAIC benchmark error rate[s] are presumed to indicate a general business practice contrary to the law. Errors indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

A claim error includes, but is not limited to, any of the following:

- An unreasonable delay in the acknowledgement of a claim,
- An unreasonable delay in the investigation of a claim,
- An unreasonable delay in the payment or denial of a claim,
- A failure to calculate claim benefits correctly; and
- A failure to comply with Missouri law regarding claim settlement practices.

The examiners reviewed the claim files for timeliness. In determining timeliness, examiners looked at the duration of time the Company used to acknowledge the receipt of the claim, the time for investigation of the claim, and the time to make payment or provide a written denial.

Missouri statutes require the Company to disclose to first-party claimants all pertinent benefits, coverage or other provisions of an insurance policy under which a claim is presented. Claim denials must be given to the claimant in writing, and the Company must maintain a copy in its claim files.

A. Claims Time Studies

To test for compliance with timeliness standards, the examiners reviewed claim records and calculated the amount of time taken by the Company for claims processing. They reviewed the company's claims processing practices relating to (1) the acknowledgement of receipt of notification of claims; (2) the investigation of claims; and (3) the payment of claims or the providing of an explanation for the denial of claims.

DIFP regulations require companies to abide by the following parameters for claims processing:

- Acknowledgement of the notification of a claim must be made within 10 working days;
- Completion of the investigation of a claim must be made within 30 calendar days after notification of the claim. If more time is needed, the Company must notify the claimant and send follow-up letters every 45 days; and
- Payment or denial of a claim must be made within 15 working days after investigation of the claim is complete.

The examiners discovered no issues or concerns.

B. Unfair Settlement and General Handling Practices

In addition to the Claim Time Studies, examiners reviewed the Company's claim handling processes to determine compliance with contract provisions and adherence to statutes and regulations regulating unfair claims settlement practices. Whenever a claim file reflected that the Company failed to meet these standards, the examiners cited the Company for noncompliance.

1. Homeowners Paid Claims

Field Size:	11,490 total 2,880 files dated pre-8/28/07 8,610 files dated post-8/28/07
Sample Size:	106 total 22 files dated pre-8/28/07 84 files dated post-8/28/07
Type of Sample:	Random
Number of Errors:	12 total 4 files dated pre-8/28/07 8 files dated post-8/28/07

Number of Errors w/in Error Ratio:	8 total 2 files dated pre-8/28/07 6 files dated post-8/28/07
Error Ratio:	7.5% total 9% files dated pre-8/28/07 7.1% files dated post- 8/28/07
Within DIFP Guidelines:	No

Homeowners' Claims paid prior to 8/28/07

The examiners noted the following errors:

The following loss was for damage to the dwelling due to an ice storm. On 1-20-07, the adjuster spoke with the insured and explained that fence damage could not be considered but gave no explanation. The adjuster did not send a denial letter referencing the policy provisions and exclusions to explain the denial.

The Company shall ensure that a written denial letter was sent to the insured with specific reference to policy provisions, conditions, and exclusion.

Claim Number: 211695

References: §375.1007(12), RSMo, and 20 CSR 100-1.050(1) (A).

The following loss was for damage to the dwelling due to an ice storm. On 2-6-07, the adjuster spoke with the insured and explained there was no coverage for tree limbs falling on the insured's fence or for cleanup of tree limbs from the yard. The adjuster did not send a denial letter referencing the policy provisions and exclusions to explain the denial.

The Company shall ensure that a written denial letter was sent to the insured with specific reference to policy provisions, conditions, and exclusion.

Claim Number: 212092

References: §375.1007(12), RSMo, and 20 CSR 100-1.050(1) (A).

Homeowners' Claims Paid after 8/28/07

The Company did not pay the $16.42 recoverable paint depreciation expense on the following claim. However the Company paid the $705.29 labor cost that was withheld before repairs were completed. As a result, the Company underpaid the claim. The insured is owed $16.42 plus nine percent interest of $3.27 for a total refund amount of $19.69 due.

Claim Number: 237479

References: §375.1007(1), RSMo, and 20 CSR 100-1.050(1)(D), and Missouri Farm Bureau Protector Insurance policy (07.05) Conditions-§I 2(b) (1) line – 936.

For the following claim, the Company's adjuster documented that the insured was contacted and that coverage was explained on 2/2/08. However, the adjuster did not document which coverage was available. Although, the policy provided Option AC-Actual Cash Value Roof damage settlement, the adjuster paid $1,069.26 on 3/3/08 for recoverable depreciation payment to the insured. As a result, the claim settlement was overpaid by $1,069.26.

The Company failed to effectuate fair and equitable settlement of the claim and failed to clearly document how it handled the claim and how it assured that all pertinent benefits and coverage were disclosed.

Claim Number: 235852

References: §375.1007(1) and (4), RSMo, 20 CSR 100-1.020(1)(A) and (B), 20 CSR 300-2.200(3)(B), (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08). See also, Missouri Farm Bureau Protector Insurance policy CU-1266 (07/05) p.47, line 895 and Conditions, Section I, paragraph 2(a).

This claim file was not clearly documented showing the handling of the claim. The insured indicated that the tarps did not stop the water and the ceilings were damaged. At this point the adjuster indicated that a separate claim will be filed. The new claim number, 239536 that has a loss date of 4/9/08, however, no deductible was applied toward loss. This was not a separate claim as the water damage was caused by tarps not properly applied to the roof. As a result the insured has additional loss experience on file.

References: §§374.205.2 (2), 375.1007(3) and 379.475.4, RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040. eff. 7/30/08).

Claim Number: 240596 (original claim), 239536

The Company failed to acknowledge the receipt of the claim notification for the following claim within 10 working days of receiving the claim notification 1/8/08. According to adjuster's notes, he contacted the insured on 4/3/08 (86 days after notification). The examiner determined that the file was reviewed by a supervisor on January 11, February 11, March 6 and April 3, 2008. However, it was not until 4/3/08 that an e-mail sent to the adjuster began to make entries of the claims' events. The Company failed to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies.

The Company failed to notify the insured 45 days after initial claim notification from 1/8/08 that the file was still open.

Claim Number: 232954

References: §375.1007(2), RSMo, and 20 CSR 100-1.030(1) and (2).

A tenant residing on the insured premises fell from steps that were broken and was injured. A denial letter was sent on 12/11/06 denying liability on part of the insured. The denial letter did not reference the policy exclusions under Coverage G – Medical Payments to Others, stating persons who reside regularly on any part of an insured's premises were also excluded. After several discussions with the insured to explain the Company's position, the insured told a Company claims supervisor that he was unaware that he had no med pay coverage available for anyone residing on the premises.

The Company paid the insured on 1/2/08 for his incurred expenses with the tenant for medical expenses in the amount of $436.00.

The Company shall ensure that a written denial letter was sent to the insured with specific reference to policy provisions, conditions, and exclusions.

Claim Number: 207857

References: §375.1007(12), RSMo, and 20 CSR 100-1.050(1) (A).

The Company's settlement letter to the insured in the following theft claim did not reference the provision, condition, or exclusion giving rise to the reason coverage was denied. Additionally, the Company did not provide a copy of the denial to the insured or have a copy of the denial letter in file.

Claim Number: 253392

References: §375.1007(12), RSMo, and 20 CSR 100-1.050(1) (A).

Violations Not Counted in Error Ratio:

The examiners determined that the insured made the following claim for losses to the dwelling due to an ice storm which included loss of refrigerated food. On 1-23-07 and 1-24-07, the adjuster asked the insured to submit a list of food items spoiled from the loss. On 1-26-07, the $500 limit for refrigerated food was paid for without a list of food lost by the insured. Additionally there was no documentation that a $25.00 deductible was applied.

The Company failed to clearly show the handling of the claim. The claim file shall be sufficiently clear and specific so that pertinent events and dates of these events can be reconstructed.

Claim Number: 213126

References: §§374.205.2(2) and 379.475.4, RSMo, and 20 CSR 300-2.200(B)(3) (as replaced by 20 CSR 100-8.040(3)(B) eff. 7/30/08).

In the following claim, the examiners determined that the correct depreciation rate for a textured ceiling would be 5.6%, but found that the Company applied 15% due to observations in photos. The adjuster did not document any observations from photos to support the 15% depreciation. Applying the rate of 5.6%, the new ACV amount would be calculated as follows: $472.12-$26.44 = $445.46, for an underpayment of $44.38.

The examiners determined that the correct depreciation rate for painting would be 40%, but found that the Company applied 42%. It is unknown why the estimating software applied a different rate. Applying the rate of 40%, the new ACV would be calculated as follows: $171.81 – $68.12 = $103.09. This leaves an underpayment of $4.91.

The examiners determined that the Company was unable to document or determined how the Marshall and Swift/Boeck Integriclaim software applied a depreciation rate of 15% to insulation. The Company no longer utilizes the Marshall and Swift/Boeck Integriclaim property estimating software and does not have access to the depreciation schedule which was programmed into and part of that package.

The total amount of both underpayments to the insured is approximately $49.29. Adding nine percent interest of $15.02 brings the total amount due to the insured to $64.31.

Claim Number: 213229

References: §374.205.2(2), RSMo, and 20 CSR 300-2.200(3)(B), (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

In claim 240596, the adjuster spoke to the insured on 4/23/08, and made the computer entry of that conversation on 4/25/08. The adjuster backed dated the claim event, such that the examiners were unable to determine the exact chronology of claim file events. In claim 239536, the claim file does not justify the reason why the claim was open. The Company does not have written guidelines for claims procedures and settlement of claims.

The Company failed to ensure that the claim files were documented properly clearly showing the inception, handling and disposition of each claim.

Claim Numbers: 240596 (original claim), 239536

References: §§374.205.2 (2) and 379.475.4, RSMo, 20 CSR 100-1.030(1) and (2) and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

The insured made the following claim for water damage to the dwelling due to a pipe bursting. The Company pursued subrogation against the supplier of the product after the loss was paid. The claim file entry, "a half inch plastic pipe bust at a fitting," is the only explanation as to cause. The claim file had no documentation as regarding to the age of the fitting, the supplier, the adjuster's observations regarding defects seen and results of the engineer's results, as referenced in an adjuster e-mail to a manager on 2/13/08 stating that final negotiations resulted in 50% subrogation from the supplier. The examiners did not find clear and specific facts so that all events could be reconstructed.

Claim Number: 224530

References: §§374.205.2(2) and 379.475.4, RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

The insured presented the following hail damage claim to the Company on 5/19/09. The claim file revealed that the Company paid the full replacement cost for the damaged roof. The examiners reviewed the complete claim file through the Company's AS400 computer system using the adjuster's Xactimate estimate for the hail damage to the roof. The examiner's depreciation figures differed from those of the adjuster's estimate for some of the materials. The examiners were further unable to determine depreciation to some items because they were not defined in the Company's provided depreciation guide. The examiners were unable to locate from the claim file the data inputted by the adjuster to the Xactware software, which helped determine the Xactimate estimate.

The claim file shall be sufficiently clear and specific so that pertinent events and dates of these events can be reconstructed. This claim file did not contain the data utilized in the Xactware software along with a printout of the work product that produced the Xactimate estimate. This information is needed by the examiners to reconstruct this portion of the adjuster's claim file.

Claim Number: 267535

References: §§374.205.2(2) and 379.475.4, RSMo, and 20 CSR 100-8.040(3)(B).

2. <u>Farm Owners' Paid Claims</u>

Field Size:	8,900 total 2,249 files dated pre-8/28/07 6,651 files dated post-8/28/07
Sample Size:	106 total

	32 files dated pre-8/28/07 74 files dated post-8/28/07
Type of Sample:	Random
Number of Errors:	7 total 2 files dated pre-8/28/07 5 files dated post-8/28/07
Number of Errors w/in Error Ratio:	7 total 2 files dated pre-8/28/07 5 files dated post-8/28/07
Error Ratio:	6.6 % total 6.25 % files dated pre-8/28/07 6.8 % files dated post- 8/28/07
Within DIFP Guidelines:	Yes

The examiner noted the following exceptions:

Farm Owners' Claims paid prior to 8/28/07

The following loss was a fire to a hay baler. Initial notification of the claim was received on 8/8/07. A 45 day letter was sent on 10/9/07 (62 days after initial notification). Final settlement was made on 11/15/07. Review of the handling of this claim indicates the adjuster failed to send a letter within 45 days from date of notification explaining reasons additional time is needed for investigation and failed to send another 45 day letter afterward.

The Company failed to ensure that if the file was still open 45 days after the initial notification of the claim and 45 days thereafter, that a letter of explanation is sent to the insured explaining why the file remains open.

Claim Number: 224463

References: §375.1007(4), RSMo, and 20 CSR 100-1.050(1) (C).

The following loss was a fire to the contents of a barn. Initial notification of the claim was received 8/20/07. A 45 day letter was sent on 10/16/07 (57 days after initial notification). Final settlement was made on 11/1/07. Review of the handling of this claim indicates the adjuster failed to send a letter within 45 days from date of notification explaining reasons additional time is needed for investigation.

The Company failed to ensure that if the file was still open 45 days after the initial notification of the claim and 45 days thereafter, that a letter of explanation is sent to the insured explaining why the file remains open.

Claim Number: 225165

References: §375.1007(4), RSMo, and 20 CSR 100-1.050(1) (C).

Farm Owners' Claims Paid after 8/28/07

The Company received a veterinarian bill for $40.00 on 4/11/08. The following claim does not document that the bill was paid. The claim file did not provide a copy of the draft to support that the bill had been paid. Therefore, the claim was under-paid by $40.00 plus $7.95 interest. The Company has contacted the veterinarian and has now paid the veterinarian directly as the file instructed.

Claim Number: 239531

References: §§374.205.2 (2), 375.1007(4), 379.475.4, and 408.020, RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

The Company received the final estimate for repairs for a dwelling loss in the amount of $7,232.23. The Company calculated the dwelling payments of $685.61 ($1,693.73 estimate - $508.12 depreciation at 30% - $500.00 deductible) and $2,536.18 first supplement. At this point the Company has paid the insured $3,221.79.

The examiners could not determine, based on a review of the documentation contained in the file, whether the Company's calculations were correct.

Claim Number: 240992

References: §374.205.2 RSMo and 20 CSR 300-2.200 (3) (B).

The insured sustained a partial fire loss and then submitted the claim with a proof of loss for $8,321.97. The insured had a $1,000.00 deductible. The adjuster applied a depreciation percentage ($732.20) and issued payment for $6,589.77. However, the claim file did not document how the depreciation expense was determined.

Additionally, on 7/10/08 the adjuster notes indicate that he contacted the insured on 6/18/08. However, the Company's system log notes fail to indicate that contact was made on that date because the adjuster did not document in the system that day. The claim file did not document the events and dates in which the claim can be reconstructed.

The Company failed to properly document showing the handling and disposition of the claim.

Claim Number: 244781

References: §§374.205.2(2), 375.1007(4), 379.475.4, RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

The Company received an estimate for the following claim from the insured for $2,957.48, which represents the replacement cost for a well that was hit by lightning. The Company issued a reduced payment in the amount of $1,977.65, which did not cover $479.83 (galvanized pipe), $15.00 (reducer), and $23.83 (sales tax at 5.225%). However, the examiners were unable to determine the reason for the reduced claim payment.

The Company failed to document the handling and disposition of the claim. The claim file did not contain the adjuster's investigation notes and did not document a discussion with the insured that would have explained the payment amount. The examiners were unable to determine if the galvanized pipe and reducer was denied or not paid by error.

Claim Number: 234859

References: §§374.205.2 (2), 375.1007(3) and (4), 379.475.4, RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

The insured sustained the following theft loss and claimed $650.00 in stolen money. The policy contains a $200.00 limit on the theft of money. The amount of loss that the adjuster calculated was $1,404.00, which included the $650.00. The adjuster then applied the $1,000.00 deductible and issued payment in the amount of $404.00 to the insured.

The examiners could not determine if this claim was properly paid based on the documentation contained in the claim file. The Company failed to properly document showing the handling and disposition of the claim.

Claim Number: 248249

References: §374.205.2(2), RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

3. **Homeowners Non-Paid Claims**

Field Size: 5,162 total
3,891 files dated pre-8/28/07
1,271 files dated post-8/28/07

Sample Size:	106 total 28 files dated pre-8/28/07 78 files dated post-8/28/07
Type of Sample:	Random
Number of Errors:	5 total 1 files dated pre-8/28/07 4 files dated post-8/28/07
Number of Errors w/in Error Ratio:	4 total 1 files dated pre-8/28/07 3 files dated post-8/28/07
Error Ratio:	3.8% total 3.6% files dated pre-8/27/07 3.8% files dated post-8/28/07
Within DIFP Guidelines:	Yes

The examiners noted the following exceptions:

Homeowner's claims filed prior to 8/28/07

The following loss was for damage to the dwelling due to a tree falling on the roof from an ice storm. On 1/23/07, the adjuster spoke with the insured and explained that there was coverage for removing the tree limb from the roof but none for damage to a fence. The claim for roof damage was not paid because the amount of damages fell below the policy deductible. A denial letter was noted as sent but the claim file did not include a copy. The adjuster did not send a denial letter referencing the policy provisions and exclusions to explain the denial for fence damage.

The Company shall ensure that a written denial letter was sent to the insured and the file of the insured shall contain a copy of the denial with specific reference to the policy provisions, conditions, and exclusions.

Claim Number: 211713

References: §375.1007(12), RSMo, 20 CSR 100-1.050(1) (A), and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

Homeowners Claims filed after 8/28/07.

A letter dated 9/9/08, stated the reason for following claim denial. The examiner reviewed Section I Coverage A-Dwelling line 236 and determined that the denial letter did not include the correct specific reference for the claim denial. The

examiners determined that the denial letter was not accurate and did not provide the correct explanation for the denial.

The Company failed to ensure a written denial letter was sent to the insured with specific reference to a policy provision or exclusion for sustained wind damage to the insured's fence.

Claim Number: 249080

References: §375.1007(1), (4) and (12), RSMo, 20 CSR 100-1.050(1)(A) and (B), Missouri Farm Bureau Protector CU 1266 (7/05); Supplementary Coverage-Section I lines 463-468.

On 9/11/08, the adjuster advised the insured that the minor damage sustained to the covered contents and dwelling in the following claim would be less than the $1,000.00 deductible. The examiners reviewed the denial letter that was sent to the insured and determined that the letter was not accurate and did not provide a clear explanation for the fence denial, leaving the insured unsure about why the fence was not covered.

The Company failed to ensure a written denial letter was sent to the insured with specific reference to a policy provision or exclusion.

Claim Number: 248203

References: §375.1007(1), (4) and (12), RSMo, and 20 CSR 100-1.050(1)(A) and (B).

The Company completed the investigation of the following claim and determined that the cause of loss was not by a covered peril. However, the Company did not provide a written denial letter stating the specific reference, policy provision or exclusions that applied. The insured had a level three protection policy subject to general exclusions.

The Company failed to ensure a written denial letter was sent to the insured with specific reference to a policy provision, condition or exclusion.

Claim Number: 250644

References: §375.1007(1), (4) and (12), RSMo, and 20 CSR 100-1.050(1)(A) and (B).

Violations Not Counted in Error Ratio:

The examiners accessed the Company's AS400 computer system to review the following claim file. However, the examiners were unable to access anything but notations of file reviews by Company employees. The file was not sufficiently

clear and specific so that pertinent events and dates of these events can be reconstructed.

Claim Number: 268611

References: §§374.205.2 (2), 379.475.4, RSMo, and 20 CSR 100-8.040(3)(B).

4. Farm Owners' Non-Paid Claims

Field Size:	2,989
Sample Size:	106
Type of Sample:	Random
Errors:	2
Error Ratio:	1.8%
Within DIFP Guidelines:	Yes

All claim files containing errors were filed after 8/28/07.

The examiners noted the following exceptions:

The Company provided a denial letter to the insured for the following loss, however the denial letter was not specific to the policy exclusion.

The Company failed to ensure a written denial letter was sent to the insured with specific reference to a policy provision, condition or exclusion that applied to the claim.

Claim Number: 250368

References: §375.1007(4) and (12), RSMo, and 20 CSR 100-1.050(1) (A).

The Company denied the following claim based on the scope of damages that were less than the $1,000.00 deductible. However, the file did not provide a copy of the estimate to support that conclusion.

The Company failed to properly document the handling and disposition of the claim file.

Claim Number: 238361

References: §§374.205.2 (2), 375.1007(4) and 379.475.4, RSMo, and 20 CSR 100-8.040

C. Practices Not in the Best Interest of Consumers

The examiners also looked for items that were not in the best interest of consumers. Not only could these practices be harmful to the insured, they may expose the company to potential claims.

The examiners discovered no such issues in this review.

II. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri law requires companies to respond to criticisms and formal requests within 10 calendar days. Please note that in the event an extension was requested by the company and granted by the examiners, the response was deemed timely if it was received within the time frame granted by the examiners. If the response was not received within that time period, the response was not considered timely.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received w/in time-limit, incl. any extensions	52	100%
Received outside time-limit, incl. any extensions	0	0 %
No Response	0	0 %
Total	52	100%

References: §374.205.2(2), RSMo, and 20 CSR 100-8.040.

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
Received w/in time-limit, incl. any extensions	15	100%
Received outside time-limit, incl. any extensions	0	0%
No Response	0	0%
Total	15	100%

References: §374.205.2(2), RSMo, and 20 CSR 100-8.040.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Addendum Report of the examination of Farm Bureau Town and Country Insurance Company, Examination Number (0810-16-TGT). This examination was conducted by Gary T. Meyer, EIC, Gerald Michitsch, and Darren Jordan. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Addendum Report, dated December 7, 2010. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

Jim Mealer,
Chief Market Conduct Examiner

12/12/2012
Date