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

In Re:	)	
	)	
FARMERS INSURANCE EXCHANGE (NAIC #0212-21652)	)	**Market Conduct Investigation No. 13086-21652-PC**
	)	
	)	

ORDER OF THE DIRECTOR

NOW, on this 22nd day of May, 2015, Director John M. Huff, after consideration and review of the market conduct investigation of Farmers Insurance Exchange (NAIC #0212-21652) (hereafter referred to as "Farmers"), investigation number 13086-21652-PC, conducted by the Division of Insurance Market Regulation pursuant to § 374.190[1] and the Stipulation of Settlement ("Stipulation"), does hereby issue the following orders:

This order, issued pursuant to §§ 374.046.15 and 374.280 RSMo (Supp. 2014), is in the public interest.

IT IS THEREFORE ORDERED that Farmers 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 Farmers shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place Farmers 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 Farmers shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $120,000 payable to the Missouri State School Fund.

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1 All references, unless otherwise noted, are to Missouri Revised Statutes 2000 as amended.

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 22nd day of May, 2015.

John M. Huff
Director

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

In Re:	)	
	)	
FARMERS INSURANCE EXCHANGE (NAIC #0212-21652)	)	**Market Conduct Investigation No. 13086-21652-PC**
	)	

STIPULATION OF SETTLEMENT

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division") and Farmers Insurance Exchange (NAIC #0212-21652) (hereinafter referred to as "Farmers"), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter, "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, Farmers has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Division conducted a Market Conduct Investigation of Farmers; and

WHEREAS, the Market Conduct Investigation revealed that:

1. In five hundred and seventy-one (571) instances, an audit was completed and billed more than 120 days from the expiration date of the policy in violation of § 287.955.5[1] and 20 CSR 500-6.500(2)(A); and

2. In one hundred and eighty-nine (189) instances, Farmers estimated premium at final audit due to an uncooperative insured in violation of § 287.955;

WHEREAS, the Division and Farmers have agreed to resolve the issues raised in the Market Conduct Investigation as follows:

A. **Scope of Agreement.** This Stipulation of Settlement embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this

1 All references, unless otherwise noted, are to Missouri Revised Statutes 2000, as amended.

agreement are contractual and not a mere recital.

B. **Remedial Action.** Farmers agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably assure that the errors noted in the Market Conduct Investigation do not recur. Such remedial actions shall include, but not be limited to, the following:

1. Farmers agrees that audits on workers compensation insurance policies with Missouri premium or exposure will be completed, billed and premiums returned within 120 days of policy expiration or cancellation unless a) a delay is caused by the policyholder's failure to respond to reasonable audit requests provided that the requests are timely and adequately documented or b) a delay is by the mutual agreement of the policyholder and Farmers provided that the agreement is adequately documented.

2. Farmers agrees to ensure that its procedures for determining final premium comply with NCCI rule 02-MO-2013.

C. **Voluntary Forfeiture.** Farmers agrees, voluntarily and knowingly, to surrender and forfeit the sum of $120,000 such sum payable to the Missouri State School Fund, in accordance with § 374.280.

D. **Payment of Forfeiture not an Admission.** Farmers denies that it has violated any Missouri law or regulation and Farmers is of the position that this Stipulation of Settlement is a compromise of disputed factual and legal allegations, and that payment of a forfeiture is not to be construed as an admission of liability, but merely to resolve the disputes and avoid litigation.

E. **Waivers.** Farmers, 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, and review or appeal by any trial or appellate court, which may have otherwise applied to the above referenced Market Conduct Investigation.

F. **Changes.** No changes to this stipulation shall be effective unless made in writing and agreed to by all signatories to the stipulation.

G. **Governing Law.** This Stipulation of Settlement shall be governed and construed in accordance with the laws of the State of Missouri.

H. **Authority.** The signatories below represent, acknowledge and warrant that they

are authorized to sign this Stipulation of Settlement.

I. **Effect of Stipulation.** This Stipulation of Settlement represents a full and complete resolution of the issues raised in the Market Conduct Investigation as set forth in paragraphs 1 and 2, above, and shall become effective only upon entry of a Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Director") approving this Stipulation.

J. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation of Settlement and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 5/20/15

Angela Nelson
Director
Division of Insurance Market Regulation

DATED: 5/20/2015

Kelly Hopper
Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: 5/18/15

Ronald Myhan
Chief Financial Officer & Treasurer
Farmers Insurance Exchange

DATED: _____

[Name]
Legal Counsel
Farmers Insurance Exchange