



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

TO: Farmers Insurance Group
4620 Wilshire Blvd.
Los Angeles, CA 90010

RE: Farmers Insurance Group
Missouri Market Conduct Examination 0602-02-PAC
Including: Farmers Insurance Co., Inc. (NAIC #21628)
Fire Insurance Exchange (NAIC #21660)
Mid-Century Insurance Co. (NAIC #21687)
Missouri Market Conduct Examination 0603-05-PAC
Including: Civic Property & Casualty Co. (NAIC #10315)

**STIPULATION OF SETTLEMENT
AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by Douglas M. Ommen, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, hereinafter referred to as "Director," and Farmers Insurance Group (hereinafter "Farmers"), which is comprised of the above-referenced subsidiary insurance companies and Civic Property & Casualty Co. (hereafter "Civic"), as follows:

WHEREAS, Douglas M. Ommen 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, Farmers and Civic have each 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 Farmers and Civic and prepared a combined report, numbered 0602-02-PAC and 0603-05-PAC; and

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

1. In some instances, Farmers and Civic failed to maintain their books and records and provide accurate and relevant materials, files, and documentation to allow the examiners to sufficiently ascertain the rating, underwriting and claims handling practices of the Companies, thereby violating §374.205.2(2), RSMo, and 20 CSR 300-2.100 and 20 CSR 300-2.200(2) and (3).

2. In some instances, Farmers failed to provide for 30 days notice of cancellation of its automobile policies, thereby violating §379.118, RSMo.

3. In some instances, Farmers cancelled its automobile policies instead of non-renewing them, thereby violating §379.110, RSMo.

4. In some instances, Civic incorrectly rated some of its Homeowner policies, thereby violating §379.321, RSMo.

5. In some instances, Farmers failed to document that it provided a Missouri sales tax affidavit, failed to send a sales tax affidavit, or provided sales tax affidavits, but with incorrect information or valuation, to its claimants for its total loss automobile claim files, in violation of §144.027, RSMo, and 20 CSR 300-2.200(3)(B).

6. In some instances, Farmers failed to pay the correct amount of rental reimbursement or apply the correct deductible amount to its comprehensive automobile claims closed with payment, in violation of the Company's policy.

7. In some instances, Farmers failed to pay the correct amount of medical benefits to its automobile medical payment claims closed with payment, in violation of the Company's policy.

WHEREAS, Farmers and Civic hereby agree to take remedial action bringing each of the Companies into compliance with the statutes and regulations of Missouri and agree to maintain those corrective actions at all times, including, but not limited to, taking the following actions:

1. Farmers and Civic agree to take corrective action to assure that the errors noted in the above-referenced market conduct examination reports do not recur;

2. Farmers agrees to review all of its comprehensive automobile claim files closed with payment dated January 1, 2005, to June 30, 2007, to determine if any other claimants were underpaid, and, if so, to issue refunds of any such underpayments, bearing in mind an additional nine per cent (9%) interest is also required, per §408.020, RSMo, on those late payments. A letter should be included with the refund payments indicating that the payments are being made "as a result of a Missouri Market Conduct examination." Evidence will also be provided to the DIFP within 145 days after the entry of a final Order concluding this examination that such payments have been made.

3. Farmers agrees to review all of its automobile medical payment claim files closed with payment dated January 1, 2005, to June 30, 2007, to determine if any other claimants were underpaid, and, if so, to issue refunds of any such underpayments, bearing in mind an additional nine per cent (9%) interest is also required, per §408.020, RSMo, on those late payments. A letter should be included with the refund payments indicating that the payments are being made "as a result of a Missouri Market Conduct examination." Evidence will also be provided to the DIFP within 145 days after the entry of a final Order concluding this examination that such payments have been made.

WHEREAS, Farmers and Civic are of the position that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed factual and legal allegations, and that payment of a forfeiture is merely to resolve the disputes and avoid litigation; and

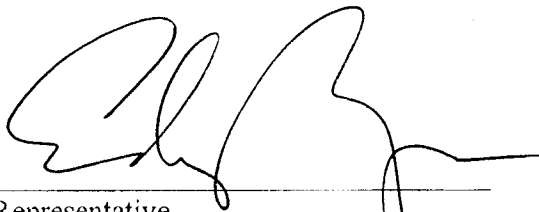
WHEREAS, Farmers and Civic, each after being advised by legal counsel, do hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examinations;

WHEREAS, This stipulation represents a full and complete resolution of all issues covered by this market conduct examination; and

WHEREAS, Farmers and Civic hereby agree to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0602-02-PAC and #0603-05-PAC further agree, voluntarily and knowingly to surrender and forfeit the sum of \$16,272.50.

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 Farmers and of Civic to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Farmers and Civic do hereby voluntarily and knowingly waive all rights to any hearing, do consent to the ORDER of the Director and do surrender and forfeit the sum of \$16,272.50, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: September 18, 2007



Representative
Farmers Insurance Company, Inc.


DATED: 9/18/07


Representative
Fire Insurance Exchange

DATED: 9/19/07


Representative
Mid-Century Insurance Company

DATED: 9/19/07


Representative
Civic Property & Casualty Company