



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

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

In re: )  
 )  
Mid Century Insurance Company (NAIC #21687) ) Examination No. 0811-19-TGT  
Farmers Insurance Exchange (NAIC #21652) )

**ORDER OF THE DIRECTOR**

NOW, on this 13 day of May, 2013, Director John M. Huff, after consideration and review of the market conduct examination report of Mid Century Insurance Company (NAIC #21687) and Farmers Insurance Exchange (NAIC #21652) (hereafter referred to collectively as "Farmers") report number 0811-19-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 report as filed. After consideration and review of the Stipulation, report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report 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. 2012), 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 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 Farmers shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$75,000 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 13<sup>th</sup> day of MAY, 2013.



John M. Huff  
Director



HAND  
CARRIED



RECEIVED  
MAY 09 2013

MO. DEPT. OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

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

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

TO: Mid Century Insurance Company  
Farmers Insurance Exchange  
4680 Wilshire Blvd.  
Los Angeles, CA 90010

RE: Mid Century Insurance Company (NAIC #21687)  
Farmers Insurance Exchange (NAIC #21652)  
Missouri Market Conduct Examination #0811-19-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 Mid-Century Insurance Company. (NAIC #21687) and Farmers Insurance Exchange (NAIC #21652), (hereafter referred to collectively as "Farmers"), 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, Farmers has been granted certificates 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 prepared report number 0811-19-TGT; and

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

1. In some instances, Farmers failed to notify the claimant in writing within 45 days and every 45 days thereafter as to the reasons it required additional time to complete the claim investigation, as required by §375.1007(4)<sup>1</sup>, 20 CSR 100-1.050(1)(C), and 20 CSR 300-2.100 (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

2. In some instances, Farmers failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims, in violation of §375.1007(3).

3. In some instances, Farmers failed to disclose all pertinent benefits and coverages available to the claimants and misrepresented or failed to advise claimants of all relevant facts or policy provisions relating to the coverages at issue, in violation of §375.1007(1), and 20 CSR 100-1.020(1)(A) and (B), as well as the Company's own policy provisions.

4. In some instances, Farmers failed to attempt to effectuate prompt, fair, and equitable settlements of its claims once liability became reasonably clear, in violation of §375.1007(4), and 20 CSR 100-1.050(1)(C).

5. In some instances, Farmers failed to assure that its claims files contained proper documentation including the denial letter to the first-party claimant with a copy of the written denial letter including a specific reference to the applicable policy provision, condition, or exclusion explaining the reason(s) for the denials, as required by §§374.205, 375.1007(12), 20 CSR 100-1.050(1)(A), and 20 CSR 300-2.100 (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

6. In some instances, Farmers failed to respond to all pertinent communications from the claimants within 10 working days of receipt, as required by §375.1007(2), and 20 CSR 100-1.030(2)(C).

7. In some instances, Farmers failed to assure that its files included copies of written denial letters specifically referencing the policy provision, condition, or exclusion used by the Company as the basis for the denial, in violation of §§374.205 and 375.1007(12), and 20 CSR 300-2.100 (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

8. In some instances, Farmers failed to provide a Missouri Sales Tax Affidavit to claimants as required by §§ 374.205, and 375.1007(3), and 20 CSR 300-2.100 (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

9. In some instances, Farmers failed to maintain its books, records, documents, and other business records and to provide relevant materials, files, and documentation in such a way to allow the examiners to sufficiently ascertain the claims handling and payment practices of the Company, thereby violating §374.205, and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

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



10. In one instance, Farmers failed to list a complaint on its complaint register, as required by §375.936(3), and 20 CSR 100-8.040.

WHEREAS, Farmers 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. Farmers agrees to take corrective action to assure that the errors noted in the above-referenced market conduct examination report do not recur;

2. Farmers agrees to file documentation of all remedial actions taken by it to implement compliance with the terms of this Stipulation of Settlement and Voluntary Forfeiture and to assure that the errors noted in the examination report do not recur, including explaining the steps taken and the results of such actions, to the Director within 90 days of the entry of a final Order closing this examination;

3. Farmers agrees to review all of Farmers Insurance Exchange's commercial auto bodily injury claims dated January 1, 2009 to the date a final Order is entered in this matter to determine if any other claims were underpaid or improperly denied. If the claim should have been paid, the Company must issue any payments that are due to the claimants, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required on all claims submitted, pursuant to §408.020. A letter must be included with the payments, indicating that "as a result of a Missouri Market Conduct examination," it was found that additional payment was owed on the claims. Additionally, evidence must be provided to the Department that such payments have been made within 90 days after the date of the Order finalizing this examination;

4. Farmers agrees to review all of Mid-Century Insurance Company's paid private passenger auto uninsured/underinsured (UM/UIM) motorist claims dated January 1, 2009 to the date a final Order is entered in this matter to determine if any other claims were underpaid or improperly denied. If the claim should have been paid, the Company must issue any payments that are due to the claimants, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required on all claims submitted, pursuant to §408.020. A letter must be included with the payments, indicating that "as a result of a Missouri Market Conduct examination," it was found that

additional payment was owed on the claims. Additionally, evidence must be provided to the Department that such payments have been made within 90 days after the date of the Order finalizing this examination;

5. Farmers agrees to review all Farmers Insurance Exchange and Mid-Century Insurance Company Medical Payment claims and its practices and procedures relating to how it handled Medical Payment claims dated January 1, 2008, to the date a final Order is entered in this matter to ensure that all of its claims were handled in a consistent manner, whether or not an AFB form was provided, and to ensure that claims were not denied or went unpaid because the Company failed to conduct a reasonable investigation of the claim. If any claims were improperly denied or went unpaid because no AFB form was provided or because the Company failed to investigate the extent of injury suffered by a claimant and/or the extent of medical bills incurred by a claimant, the Company must issue any payments that are due to the claimants, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required on all claims submitted, pursuant to §408.020. A letter must be included with the payments, indicating that "as a result of a Missouri Market Conduct examination," it was found that additional payment was owed on the claims. Additionally, evidence must be provided to the Department that such payments have been made within 90 days after the date of the Order finalizing this examination;

6. Farmers agrees that it shall provide to each total loss claimant, when it resolves a total loss claim, a sales tax affidavit reflecting the amount of the insurance proceeds plus any owner's deductible obligation, and to inform the claimant in writing that said affidavit can be used to obtain a sales tax credit against the purchase price of another motor vehicle purchased within 180 days of the date of payment by the Company. Farmers also agrees that a copy of the sale tax affidavit shall be maintained in each total loss claim file. Farmers' obligations under the terms of this paragraph 6 are subject to any future changes in the law relating to the subject matter of this paragraph 6 that may be enacted by statute or regulation.

7. Farmers agrees to develop a survey to be sent to all Farmers Insurance Exchange and Mid-Century Insurance Company private passenger and commercial auto total loss claimants for claims dated January 1, 2008 to December 31, 2010.

The survey must request information including, but not limited to, the following: (a) whether the claimant received a sales tax affidavit; (b) if the claimant did receive an affidavit, the date upon which they received it; (c) whether the claimant replaced the total loss vehicle; (d) whether the claimant paid sales tax on the replacement vehicle, and, if so, the amount of the tax paid; (e) whether the claimant used the sales tax affidavit to obtain a sales tax credit; (f) if the claimant used the affidavit, the date on which it was used; and (g) if the claimant used the affidavit, the amount of the credit obtained by the claimant. Documentation of the purchase of a replacement vehicle and documentation of the payment of any sales tax on the purchase of the replacement vehicle shall be requested from the claimant. Claimants shall be given 30 days in which to respond to the survey, but responses from claimants shall be accepted for a period of 60 days from the date the survey was received by the claimant. The survey should also include a blank copy of a sales tax affidavit that would have been issued or sent to the claimant.

The survey must be reviewed and approved by the Department prior to its use. Any total loss claimant who represents in the survey response that he or she did not receive a sales tax affidavit from Farmers Insurance Exchange or Mid-Century Insurance Company, who documents the purchase of a replacement vehicle, and who documents payment of sales tax on the purchase of the replacement vehicle, shall be reimbursed by Farmers for the portion of all applicable sales taxes paid by the claimant that are subject to a credit pursuant to §144.027. Farmers shall also pay interest to the claimant at the rate of 9% per annum pursuant to §408.020.

Once the survey is completed and responses are received by Farmers, Farmers must submit a report to the Department including information on who was sent the survey, the address the survey was sent to, who responded to the survey, copies of responses, which claimants received reimbursement, the amount of such reimbursement, the date the reimbursement was paid, and proof of payment. This detailed information should be included in a report to the Department within 90 days after a final order closing this exam is entered by the Director.

WHEREAS, Mid-Century Insurance Company and Farmers Insurance Exchange (collectively Farmers) denies that it has violated any Missouri law or regulation and Farmers is 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 or reimbursement is not to be construed as an admission of liability, but merely to resolve the disputes and avoid litigation; and

WHEREAS, 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, which may have otherwise applied to the above referenced Market Conduct Examination; and

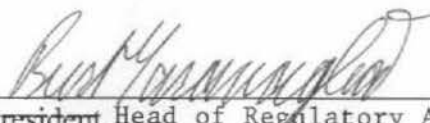
WHEREAS, Farmers hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0811-19-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$75,000.

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 Farmers to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Farmers does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director and does surrender and forfeit the sum of \$75,000, such sum payable to the Missouri State School Fund, in accordance with §374.280.

DATED: May 3, 2013

  
President Head of Regulatory Affairs  
Mid Century Insurance Company

DATED: May 3, 2013

  
President Head of Regulatory Affairs  
Farmers Insurance Exchange

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



**FINAL MARKET CONDUCT EXAMINATION REPORT**  
of the Property and Casualty Business of

**Mid-Century Insurance Company**  
NAIC #21687  
**Farmers Insurance Exchange**  
NAIC #21652

**MISSOURI EXAMINATION # 0811-19-TGT**

**NAIC EXAM TRACKING SYSTEM # MO268-M87**

**April 8, 2013**

**Mid-Century Insurance Company**  
**Farmers Insurance Exchange**  
**4680 Wilshire Boulevard**  
**Los Angeles, California 90010**

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## FOREWORD

This is a targeted market conduct examination report of the Farmers Insurance Exchange (NAIC Code #21652), and the Mid-Century Insurance Company (NAIC Code #21687). This examination was conducted at the offices of the Farmers Insurance Group, located at 4680 Wilshire Boulevard, Los Angeles, California 90010.

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 Farmers Insurance Exchange and Mid-Century 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;
- “MCIC” refers to Mid-Century Insurance Company;
- “FIE” refers to Farmers Insurance Exchange;
- “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, 2007, through October 27, 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 included a review of the following areas of the Company's operations for the lines of business reviewed: claims handling practices and complaint handling practices.

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%). 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.

Mid-Century Insurance Company ("Company") was incorporated under the laws of the State of California on December 3, 1949, and began operations on February 17, 1953. Currently, the company is licensed in 46 states.

All of the Company's outstanding capital stock is held by Farmers Insurance Exchange (80%), Truck Insurance Exchange (7.5%) and Fire Insurance Exchange (12.5%) (collectively, the "Exchanges"). The Exchanges are owned by their policyholders. The Exchanges and its affiliated insurers, including the Company, comprise the nation's third-largest Personal Lines Property & Casualty insurance group. Headquartered in Los Angeles and doing business in 50 states, the Exchanges and its affiliated insurers provide home, auto, business and life insurance and financial services to more than 15 million customers.

Farmers Insurance Exchange was organized on March 28, 1928 under the Reciprocal or Inter-Insurance Act of California and commenced business on April 6, 1928 with the title Farmers Automobile Inter-Insurance Exchange. The present title was adopted on May 1, 1947. Farmers Insurance Exchange is licensed in 46 states.

Farmers Insurance Exchange, Fire Insurance Exchange and Truck Insurance Exchange (the "Exchanges"), along with their subsidiaries, comprise the Farmers Insurance Group of Companies®, which is based in Los Angeles, California. The Exchanges are reciprocal insurers owned by their respective policyholders. The policyholders of each Exchange appoint an exclusive attorney-in-fact to provide management services to the Exchange. Farmers Group, Inc., dba Farmers Underwriters Association, is the attorney-in-fact for Farmers Insurance Exchange and the parent company of Fire Underwriters Association (attorney-in-fact of Fire Insurance Exchange) and Truck Underwriters Association (attorney-in-fact of Truck Insurance Exchange).

Today, the Farmers Insurance Group of Companies comprises the nation's third-largest Personal Lines Property & Casualty insurance group. Headquartered in Los Angeles and doing business in 50 states, the Exchanges and its affiliated insurers provide home, auto, business and life insurance and financial services to more than 15 million customers.

The Company is licensed by the DIFP under Chapter 379, RSMo, to write property and casualty insurance as set forth in its Certificate of Authority.

## EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of the Farmers Insurance Exchange (FIE) and Mid-Century Insurance Company. The examiners found the following principal areas of concern:

The examiners discovered the following errors regarding the FIE Commercial Auto Physical Damage Claims Paid Practices reviews:

- The examiners found one instance where it failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and 45 days thereafter.
- The examiners found one instance where it failed to clearly document the file showing the inception, handling and disposition of the claim.
- The examiners found one instance where it failed to adopt and implement reasonable standards for the prompt investigation and settlement of the claim.

The examiners discovered the following regarding the FIE Commercial Auto Medical Payments Claims Paid Practices reviews:

- The examiners found one instance where it misrepresented relevant facts or policy provisions to a claimant relating to coverages at issue by failing to disclose that Workers Compensation coverage was primary, resulting in a claim overpayment.
- The examiners found one instance where it failed to adopt and implement reasonable standards for the prompt investigation and settlement of the claim, in that it failed to investigate whether Workers Compensation was primary and failed to determine if Medical Payments coverage was applicable.
- The examiners found one instance where it failed to clearly document the file showing the inception, handling and disposition of the claim.
- The examiners found one instance where it failed to document a claim file with a copy of a written letter of denial to a first party claimant with a specific reference to a policy provision, condition, or exclusion.

The examiners discovered the following errors regarding the FIE Commercial Auto Bodily Injury Claims Paid Practices reviews:

- The examiners found one instance where it failed to document the file showing that a sales tax affidavit was sent to the claimant concerning the total loss vehicle.
- The examiners found one instance where it failed to clearly document the file showing the inception, handling and disposition of the claim.
- The examiners found four instances where it failed to attempt in good faith to effectuate fair and equitable claim settlements.

The examiners discovered the following error regarding the FIE Commercial Auto Uninsured/Underinsured Motorist Claims Paid Practices reviews:

- The examiners found one instance where it failed to clearly document the file showing the inception, handling and disposition of the claim in that the examiners were unable to ascertain how the settlement range was determined.

The examiners discovered the following error regarding the FIE Commercial Auto Total Loss Claims Paid Practices reviews:

- The examiners found three instances where it failed to document the file showing that a sales tax affidavit was sent to the claimant concerning the total loss vehicle.

The examiners discovered the following errors regarding the FIE Commercial Auto Physical Damage Claims Paid Practices reviews:

- The examiners found three instances where it failed to clearly document the file showing the inception, handling and disposition of the claim as the examiners were unable to ascertain how the claims were handled and disposed of in the file notes.
- The examiners found one instance where it failed to attempt in good faith to effectuate fair and equitable claim settlements.
- The examiners found two instances where the Company failed to document claim files with a copy of written letter of denial to a first party claimant with specific reference to a policy provision, condition, or exclusion.

The examiners discovered the following errors regarding the MCIC Private Passenger Auto Physical Damage Claims Paid Practices reviews:

- The examiners found one instance where it failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and 45 days thereafter.
- The examiners found one instance where the Company failed to document the file showing that a sales tax affidavit was sent to the claimant concerning the total loss vehicle.

The examiners discovered the following errors regarding the MCIC Private Passenger Auto Medical Payments Claims Paid Practices reviews:

- The examiners found 32 instances where it failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and 45 days thereafter.
- The examiners found two instances where it failed to document the file showing that a sales tax affidavit was sent to the claimant concerning the total loss vehicle.

- The examiners found 11 instances where it failed to attempt in good faith to effectuate fair and equitable claim settlements, in that the files documented some insureds were required to complete a Medical Payments Application For Benefits Form (AFB) and others were not.
- The examiners found one instance where it failed to clearly document the file showing the inception, handling and disposition of the claim. The examiners were unable to ascertain how the amount of Medical payments that was paid was determined.
- The examiners found two instances where it failed to document claim files with a copy of a written letter of denial to a first party claimant with a specific reference to a policy provision, condition, or exclusion.

The examiners discovered the following errors regarding the MCIC Private Passenger Auto Bodily Injury Claims Paid Practices reviews:

- The examiners found three instances where it failed to respond to all pertinent communications from any claimant which suggested a response was expected within 10 working days.
- The examiners found 15 instances where the Company failed to document the file showing that a sales tax affidavit was sent to the claimant concerning the total loss vehicle.
- The examiners found one instance where it failed to attempt in good faith to effectuate fair and equitable claim settlements.

The examiners discovered the following errors regarding the MCIC Private Passenger Auto Uninsured/Underinsured Motorist Claims Paid Practices reviews:

- The examiners found 38 instances where it failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and 45 days thereafter.
- The examiners found two instances where it failed to document the file showing that a sales tax affidavit was sent to the claimant concerning the total loss vehicle.
- The examiners found two instances where it failed to clearly document the file showing the inception, handling and disposition of the claims.
- The examiners found four instances where it failed to effectuate a fair and equitable settlement and failed to conduct a reasonable investigation, resulting in claim underpayments.
- The examiners found one instance where it failed to adopt and implement reasonable standards for the prompt investigation and settlement of the claim by failing to investigate whether the damage to the insured's vehicle exceeded the collision deductible.
- The examiners found one instance where it failed to attempt in good faith to effectuate fair and equitable claim settlements.
- The examiners found one instance where it failed to document a claim file with a copy of a written letter of denial to a first party claimant with a specific reference to a policy provision, condition, or exclusion.

The examiners discovered the following errors regarding the MCIC Private Passenger Auto Total Loss Claims Paid Practices reviews:

- The examiners found 18 instances where it failed to document the file showing that a sales tax affidavit was sent to the claimant concerning the total loss vehicle.
- The examiners found one instance where it failed to attempt in good faith to effectuate fair and equitable claim settlements in that it failed to pay the insured the correct amount of Medical Payments coverage, resulting in a claim underpayment.
- The examiners found two instances where it failed to adopt and implement reasonable standards for the prompt investigation and settlement of the claim by failing to investigate whether the claimants wanted to pursue Medical payments coverage claims.
- The examiners found two instances where it failed to disclose all pertinent benefits and coverages at issue to first party claimants in that it failed to advise the claimants that Medical Payments coverage was available, resulting in undetermined claim underpayments.

The examiners discovered the following error regarding the MCIC Commercial Auto Physical Damage Claims Paid Practices reviews:

- The examiners found one instance where it failed to adopt and implement reasonable standards for the prompt investigation and settlement of the claim by failing to attempt to settle a bodily injury claim, knowing that an injury occurred, leaving the insured with an unnecessary liability exposure.

The examiners discovered the following error regarding the MCIC Commercial Auto Bodily injury Claims Paid Practices reviews:

- The examiners found one instance where it failed to document the file showing that a sales tax affidavit was sent to the claimant concerning the total loss vehicle.

The examiners discovered the following errors regarding the MCIC Private Passenger Auto Medical Payment Claims Closed Without Payment Practices reviews:

- The examiners found two instances where it failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and 45 days thereafter.
- The examiners found one instance where it failed to respond to all pertinent communications from any claimant, which suggested a response was expected within 10 working days.
- The examiners found five instances where it failed to document the file showing that a sales tax affidavit was sent to the claimant concerning the total loss vehicle.



- The examiners found one instance where it failed to clearly document the file showing the inception, handling and disposition of the claim by failing to document activity occurring after receiving a letter from an attorney.

The examiners discovered the following errors regarding the MCIC Private Passenger Auto Bodily Injury Claims Closed Without Payment Practices reviews:

- The examiners found four instances where it failed to document the file showing that a sales tax affidavit was sent to the claimant concerning the total loss vehicle.

The examiners discovered the following errors regarding the MCIC Private Passenger Auto Uninsured/Underinsured Motorist Claims Closed Without Payment Practices reviews:

- The examiners found nine instances where it failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and 45 days thereafter.
- The examiners found one instance where it failed to respond to all pertinent communications from any claimant, which suggested a response was expected within 10 working days.
- The examiners found four instances where it misrepresented relevant facts or policy provisions to a claimant relating to coverages at issue by requiring the insureds to submit medical bills within 60 days of treatment when the endorsement containing this language was not part of the policies.
- The examiners found one instance where it failed to clearly document the file showing the inception, handling and disposition of the claim by failing to document how the percentage of negligence was determined.
- The examiners found one instance where it failed to adopt and implement reasonable standards for the prompt investigation and settlement of the claim in that it failed to attempt to investigate the subrogation potential and the potential recovery of all or part of the insured's deductible.

The examiners discovered the following error regarding the FIE Homeowners Claims Paid Practices reviews:

- The examiners found one instance where it failed to attempt in good faith to effectuate fair and equitable claim settlements.

The examiners discovered the following errors regarding the FIE Homeowners Claims Closed Without Payment Practices reviews:

- The examiners found one instance where it failed to document a claim file with a copy of a written letter of denial to a first party claimant with a specific reference to a policy provision, condition, or exclusion.
- The examiners found one instance where the Company failed to clearly document the file showing the inception, handling and disposition of the claim by failing to document the age of the roof.



The examiners discovered the following errors regarding the MCIC Homeowners Claims Paid Practices reviews:

- The examiners found one instance where it failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and 45 days thereafter.
- The examiners found one instance where it failed to disclose all pertinent benefits and coverages at issue to first party claimants as the files documented the Company failed to advise the insured that recoverable depreciation was available within 180 days of the loss, resulting in a claim underpayment.

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 the jurisdictions should be addressed.

The examiners tracked and were mindful of the results, Company responses and public disciplinary action(s) of prior examinations concerning the Farmers Insurance Group. The following represents a summary of the results from a previous Missouri Market Conduct Examination that was completed in 2001. A voluntary forfeiture was made by the Company in the amount of \$7,975. There were also three other examinations that were completed by Arizona (2008), Oklahoma (2006), and Maryland (2008). Those following summaries of findings are also listed.

**A. Missouri Market Conduct Examination Report # 0035-09-PAC Findings  
(2001)**

1. In some instances, Farmers was cited for failure to maintain a copy of the current license for a producer and failing to date stamp the date of receipt for producer licenses.
2. In some instances, Farmers was cited for failure to provide a copy of the declaration page for its Workers Compensation policies.
3. In some instances, Farmers was cited for a pattern error of using incorrect territory codes for its Landlord Protector policies, creating premium undercharges.
4. In some instances, Farmers was cited for errors in its underwriting and rating practices for Private Passenger Auto Non-renewals because it failed to provide a clear and specific reason for non-renewing policies

5. In some instances, Farmers was cited for errors in its underwriting and rating practices reviews for Private Passenger Auto Cancellations because it failed to maintain proof of mailing of the cancellation notices.
6. In some instances, Farmers was cited for errors in its underwriting and rating practices reviews for Private Passenger Auto Declinations because it failed to maintain a proof of mailing of the declination notices, and failed to provide a date the notice was mailed and a reason for the declination.
7. In some instances, Farmers was cited for underwriting and rating errors for Motorcycle Terminations policies because it failed to maintain a proof of mailing of the terminations.
8. In some instances, Farmers was cited for underwriting and rating errors for Homeowners Non-Renewals in that it failed to provide a clear and specific reason for the non-renewals.
9. In some instances, Farmers was cited for underwriting and rating errors for Dwelling Fire policies in that it did not provide files for review and failed to provide 30 day notices prior to policy terminations.
10. In some instances, Farmers was cited for claims handling practices errors for Private Passenger Auto Collision losses, in that it failed to maintain copies of sales tax affidavits, failed to date stamp pertinent documents, failed to maintain adequate documentation, and failed to notify the Department of Revenue of an uninsured motorist claim with one of the Farmer's insureds.
11. In some instances, Farmers was cited for claims handling practices errors for Private Passenger Auto Total Loss vehicles, in that no sales tax affidavit copies were documented in the files.
12. In some instances, Farmers was cited for claims handling practices errors for Commercial Auto Total Loss/Collision claims review, because it failed to maintain copies of sales tax affidavits, used notices that stated the certification was for 90 days instead of 180 days, and failed to handle a claim in a timely manner.
13. In some instances, Farmers was cited for errors in its Commercial Auto Subrogation claims handling review, because it failed to reimburse the insured's deductible and failed to provide a file for review.
14. In some instances, Farmers was cited for errors in its claims handling practices review of Workers Compensation claims because it failed to pay the total temporary disability (TTD) payments.
15. In some instances, Farmers was cited for failure to record a written complaint in a payment register and failing to provide a written denial of a claim.

**B. Arizona Market Conduct Examination Report Findings (2008)**

1. In some instances, Farmers was cited for using claim forms and/or letters that failed to include a complaint fraud warning notice.
2. In some instances, Farmers was cited for using forms that failed to advise for what purpose the information was being collected.
3. In some instances, Farmers was cited for a failure to return the proportionate shares of deductibles when recoveries were made from adverse carriers.

#### **C. Oklahoma Market Conduct Examination Report Findings (2006)**

1. In one instance, Farmers was cited for failure to produce the Company's Board of Director meeting minutes for review.
2. In one instance, Farmers was cited for failure to produce the Company's internal audit records for review.
3. Farmers was cited for a failure to produce two claims for review.
4. In one instance, Farmers was cited for applying excessive depreciation on a claim.

#### **D. Maryland Market Conduct Examination Report Findings (2008)**

1. In some instances, Farmers was cited for accepting business from and paying commissions to insurance producers that did not have an appointment.
2. In one instance, Farmers was cited for failure to include the producer name in a producer register.
3. In one instance, Farmers was cited for a failure to provide a clear and specific reason for its action in order to prevent further inquiry by the insured when it declined a risk.
4. In some instances, Farmers was cited for failure to underwrite/maintain risks that were eligible and within the acceptable range of a filed rating plan.
5. In one instance, Farmers was cited for failure to issue a cancellation notice by certified mail.
6. In one instance, Farmers was cited for failure to offer a named driver exclusion endorsement.
7. In one instance, Farmers was cited for failure to indicate the specific premium amount attributable to the driver that could be excluded when a named, driver exclusion was offered.
8. In one instance, Farmers was cited to provide a notice within 45 days of a proposed underwriting action to an insured.

9. In one instance, Farmers was cited for failure to issue notice of a proposed action by certified mail or to maintain proof of the certified mail.
10. In one instance, Farmers was cited for failing to include a statement that the insured action violated the insured's rating criteria or underwriting standard on a notice.
11. In one instance, Farmers was cited for failure to provide at least 45 days notice prior to the effective date of the insurer's proposed premium increase due to a surcharge, re-tiering or other reclassification, or removal or reduction of a discount.
12. In one instance, Farmers was cited for failure to give a reason for acceptance of certain replacement cost valuations as required by the Company's rating rule.
13. In some instances, Farmers was cited for failure to include all pertinent information required under Maryland insurance law for increases in premium for amounts listed on the premium notices sent to policyholders.

## 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 October 27, 2008.

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 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.
- 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.

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.
- Payment or denial of a claim must be made within 15 working days after the investigation of the claim is complete.

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.



## **A. Farmers Insurance Exchange Commercial Auto Physical Damage Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Physical Damage claims paid and closed during the examination period.

Field Size:	87
Sample Size:	87
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	1.1%
Within DIFP Guidelines:	Yes

The examiners noted the following exception during their review:

The examiners found that the Company failed to provide a letter to the insured explaining why the file remained open more than 45 days after the initial notification of the claim and every 45 days thereafter regarding the following claim file.

Claim Number

1012077571

Reference: §§ 374.205 and 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Physical Damage claims paid and closed during the examination period.

Field Size:	87
Sample Size:	87
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	1.1%
Within DIFP Guidelines:	Yes

The examiners noted the following exceptions during their review:

The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following claim, as no denial letter was secured concerning the vehicle coverage of the automobile operated by the responsible driver to determine the basis for closing the file with no further investigation done. In addition, the Company failed to investigate the

potential for subrogation and recovery of all or part of the insured's deductible interest.

Claim Number

1012077571

Reference: § 375.1007(3), RSMo

Although not included in the error ratio listed above, the following claim was considered as an individual violation, and did not qualify as a general business practice violation that would have been included in the error ratio.

The examiners found that the Company failed to clearly document the following claim file showing the inception, handling and disposition the claim. The file failed to document the subrogation potential. Therefore, the examiners were unable to determine if the settlements were fair and equitable.

Claim Number

1012077571

Reference: § 374.205, RSMo, and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

**B. Farmers Insurance Exchange Commercial Auto Medical Payments Claims Paid**

**1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Medical Payments claims paid and closed during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Medical Payments claims paid and closed during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners noted the following exception during their review:

The examiners found that the Company misrepresented relevant facts or policy provisions to the following claimant relating to coverages at issue, by failing to disclose that Workers Compensation coverage was primary, therefore resulting in the following overpayment.

<u>Claim Number</u>	<u>Claim Overpayment</u>
1008876131	\$1,191

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A) and (B), and Policy Provisions

Although not included in the error ratio listed above, the following claims were considered as individual violations, and did not qualify as general business practice violations that would have been included in the error ratio.

1. The Company failed to document that the Company tried to investigate whether Workers Compensation was primary and the Medical Payments coverage was applicable, the examiners determined that no reasonable and prompt investigation occurred.

Claim Number

1008876131

Reference: § 374.205, RSMo, and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

2. The examiners found that the Company failed to clearly document the following claim file showing the inception, handling and disposition of the claim. Because the file failed to document the disposition of the Workers Compensation claim that was documented as active with another carrier, the examiners were unable to determine if the Medical Payments settlement was fair and equitable.

Claim Number

1008876131

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

3. The examiners found that the Company failed to document the following claim file with a copy of a written denial letter to a first party claimant with a specific reference to a policy provision, condition, or exclusion.

Claim Number

1008876131

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

### **C. Farmers Insurance Exchange Commercial Auto Bodily Injury Claims Paid**

#### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Bodily Injury claims closed with payment during the examination period.

Field Size:	16
Sample Size:	16
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

#### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Bodily Injury claims closed with payment during the examination period.

Field Size:	16
Sample Size:	16
Type of Sample:	Census
Number of Errors:	4
Error Ratio:	25.0%
Within DIFP Guidelines:	No

The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlements of the following four claim files, resulting in the following two underpayments. The Company failed to reimburse the insured the deductible amount after subrogation was made. After the examiners notified the Company, one of the following two claim underpayments was paid.

The \$116.67 underpayment was not made. The two following claims where no underpayment was made, were as a result of the Company attempting to settle with the claimants while they were still treating. Settlements were made far in excess of the original offer after treatment was completed.

<u>Claim Number</u>	<u>Claim Underpayment</u>
1010660300	\$250
1010552977	\$ None
1010201489	\$116.67
1011828777	\$ None

Reference: §§ 375.1007(4) and 408.020 RSMo

Although not included in the error ratio listed above in this section of the report, the following claims were considered as individual violations, and did not qualify as a general business practice violation that would have been included in the error ratio.

The examiners noted the following exceptions during their review:

1. The examiners found that the Company failed to include in the following claim file, a copy of a Missouri sales tax affidavit concerning the claimant's total loss vehicle.

Claim Number

1008378933

Reference: §§ 144.027, 374.205, and 375.1007(3) RSMo, and 20 CSR 300-2.100(3) (B) 3. (as replaced by 20 CSR 100-8.040(3) (B) 3., eff. 7/30/08)

2. The examiners found that the Company failed to clearly document the following claim file showing the inception, handling and disposition of the claim. The file failed to document if Medical payments coverage was available to the insured.

Claim Number

1010660300

Reference: § 374.205, RSMo, and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)



## **D. Farmers Insurance Exchange Commercial Auto Uninsured/Underinsured Motorist Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Uninsured/Underinsured Motorist claims closed with payment during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Uninsured/Underinsured Motorist claims closed with payment during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners noted the following exception during their review. Please note that the following claim was considered as an individual violation, and did not qualify as a general business practice violation.

The examiners found that the Company failed to clearly document the following claim file showing the inception, handling and disposition of the claim. The file failed to document how the Uninsured Motorist settlement range was arrived at. Therefore, the examiners could not determine how the settlement was handled and its disposition.

#### Claim Number

1008876131

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

## **E. Farmers Insurance Exchange Commercial Auto Subrogation Claims Paid**

### **1. Claims Time Studies**

According to the Company, there were no claims in this population to sample as it was not able to identify subrogation claims. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

According to the Company, there were no claims in this population to sample as it was not able to identify subrogation claims. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **F. Farmers Insurance Exchange Commercial Auto Total Loss Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Total Loss claims paid during the examination period.

Field Size:	13
Sample Size:	13
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## 2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Commercial Auto Total Loss claims paid during the examination period.

Field Size:	13
Sample Size:	13
Type of Sample:	Census
Number of Errors:	3
Error Ratio:	23%
Within DIFP Guidelines:	No

The examiners noted the following exceptions during their review. Please note that the following claims were considered as individual violations, and did not qualify as general business practice violations.

The examiners noted the following exceptions during their review:

The examiners found that the Company failed to include in the following three claim files, a copy of a Missouri sales tax affidavit concerning the insured's/claimant's total loss vehicle.

### Claim Number

1010212895

1011339043

1010775116

Reference: §§ 144.027, 374.205, and 375.1007(3) RSMo, and 20 CSR 300-2.100(3) (B) 3. (as replaced by 20 CSR 100-8.040(3) (B) 3., eff. 7/30/08)

## G. Farmers Insurance Exchange Commercial Auto Physical Damage Claims Closed Without Payment

### 1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Commercial Auto Physical Damage claims closed without payment during the examination period.

Field Size:	38
Sample Size:	38
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## 2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Commercial Auto Physical Damage claims closed without payment during the examination period.

Field Size:	38
Sample Size:	38
Type of Sample:	Census
Number of Errors:	3
Error Ratio:	7.9%
Within DIFP Guidelines:	No

The examiners noted the following exceptions during their review:

1. The examiners found that the Company failed to clearly document the following two claim files showing the inception, handling and disposition of the claims. The files failed to document in the file notes how the claims were handled and their dispositions. Therefore, the examiners were unable to determine their handling and dispositions in accordance with Missouri law.

Claim Number

1011799411

1009821549

Reference: §§374.205 and 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

2. The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlements of the following claim in which liability was reasonably clear. During negotiations, the Company made the following statement, "Med pay has taken care of her bills." The claimant's Medical Payments coverage should not influence a reduction or consideration into the bodily injury settlement and therefore, led to an undetermined, less than fair and equitable bodily injury settlement.

Claim Number

1010660300

Reference: § 375.1007(4), RSMo

Although not included in the error ratio listed above in this section of the report, the following claim numbers were considered as individual violations, and did not qualify as general business practices violations that would have been included in the error ratio.

The examiners found that the Company failed to document the following two claim files with a copy of a written denial letter to a first party claimant with specific reference to a policy provision, condition, or exclusion.

Claim Number

1012379336

1011185784

Reference: §§374.205, 375.1007(12), 20 CSR 100-1.050(1)(A), and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08)

**H. Farmers Insurance Exchange Commercial Auto Medical Payments Claims Closed Without Payment**

**1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Medical Payments claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Medical Payments claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.



**I. Farmers Insurance Exchange Commercial Auto Bodily Injury Claims Closed Without Payment**

**1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Bodily Injury claims closed without payment during the examination period.

Field Size:	3
Sample Size:	3
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Bodily Injury claims closed without payment during the examination period.

Field Size:	3
Sample Size:	3
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**J. Farmers Insurance Exchange Commercial Auto Subrogation Claims Closed Without Payment**

**1. Claims Time Studies**

According to the Company, there were no claims in this population to sample as it was not able to identify subrogation claims. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## 2. Unfair Settlement and General Handling Practices

According to the Company, there were no claims in this population to sample as it was not able to identify subrogation claims. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## K. Farmers Insurance Exchange Commercial Auto Total Loss Claims Closed Without Payment

### 1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Commercial Auto Total Loss claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### 2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Commercial Auto Total Loss claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **L. Farmers Insurance Exchange Commercial Auto Uninsured/Underinsured Motorist Claims Closed Without Payment**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Uninsured/Underinsured Motorist claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Uninsured/Underinsured Motorist claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **M. Mid-Century Insurance Company Private Passenger Auto Physical Damage Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of paid Missouri Private Passenger Auto Physical Damage claims paid during the examination period.

Field Size:	4,173
Sample Size:	100
Type of Sample:	Random
Number of Errors:	1
Error Ratio:	1.0%
Within DIFP Guidelines:	Yes

The examiners noted the following exception during their review:

The examiners found that the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter regarding the following claim file.

Claim Number

1010501464

Reference: § 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8.040(3) (B), eff. 7/30/08.)

**2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of paid Missouri Private Passenger Auto Bodily Injury claims during the examination period.

The examiners requested a sample from the total population of paid Missouri Private Passenger Auto Physical Damage claims paid during the examination period.

Field Size:	4,173
Sample Size:	100
Type of Sample:	Random
Number of Errors:	1
Error Ratio:	1.0%
Within DIFP Guidelines:	Yes

The examiners noted the following exception during their review. Please note that the following claim was considered as an individual violation, and did not qualify as a general business practice violation.

The examiners found that the Company failed to include in the following claim file, a copy of a Missouri sales tax affidavit concerning the insured's/claimant's total loss vehicle.

Claim Number

1011963092

Reference: §§ 144.027, 374.205, and 375.1007(3) RSMo, and 20 CSR 300-2.100(3) (B) 3. (as replaced by 20 CSR 100-8.040(3) (B) 3., eff. 7/30/08)

## N. Mid-Century Insurance Company Private Passenger Auto Medical Payments Claims Paid

### 1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Medical Payments claims paid during the examination period.

Field Size:	806
Sample Size:	100
Type of Sample:	Random
Number of Errors:	32
Error Ratio:	32.0%
Within DIFP Guidelines:	No

The examiners noted the following exceptions during their review:

1. The examiners found that the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter regarding the following 32 claim files.

<u>Claim Number</u>	<u>Claim Number</u>
1007644506	1006193886
1011324082	1010103120
1010999328	1007004239
1009856618	1009115025
1005964100	1006522766
1008986498	1010191437
1010042256	1009637417
1010909190	1010180180
1011301201	1009108917
1011139916	1011310173
1010840145	1009068057
1008985159	1009107791
1009541641	1010621569
1009550565	1009996252
1009907719	1009679956
1009324584	1011446394



Reference: § 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

## 2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Medical Payments claims paid during the examination period.

Field Size:	806
Sample Size:	100
Type of Sample:	Random
Number of Errors:	11
Error Ratio:	11.0%
Within DIFP Guidelines:	No

The examiners noted the following exceptions during their review:

The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlements of the following 11 claims in which liability was reasonably clear. In these instances the Company issued payments concerning the Medical Payments coverage of the claims without requiring the completion of the Company's Application For Benefits Form (AFB) when other insureds were required to complete the AFB.

<u>Claim Number</u>	<u>Claim Number</u>
1010573608	1009115025
1009717600	1010867110
1010042256	1012797678
1009176563	1011310173
1010840145	1009550565
1009996252	

Reference: § 375.1007(4), RSMo

Although not included in the error ratio listed above in this section of the report, the following claim numbers were considered as individual violations, and did not qualify as general business practices violations that would have been included in the error ratio.

The examiners noted the following exceptions during their review:

1. The examiners found that the Company failed to include in the following two claim files, a copy of a Missouri sales tax affidavit documenting the date of payment, concerning the insured's/claimant's total loss vehicle.

Claim Number

1009348220

1008652408

Reference: §§ 144.027, 374.205, and 375.1007(3) RSMo, and 20 CSR 300-2.100(3) (B) 3. (as replaced by 20 CSR 100-8.040(3) (B) 3., eff. 7/30/08)

2. The examiners found that the Company failed to clearly document the following claim file showing the inception, handling and disposition of the claim. The file failed to document how the Company determined the Medical Payments amount that was paid. Therefore, the examiners were unable to determine whether the Company attempted in good faith to effectuate prompt, fair and equitable settlement of the claim in which liability was reasonably clear.

Claim Number

1010446831

Reference: § 374.205, RSMo, and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

3. The examiners found that the Company failed to document the following two claim files with a copy of a written denial letter to a first party claimant with specific reference to a policy provision, condition, or exclusion.

Claim Number

1010446831

1011552234

Reference: §§374.205, 375.1007(12), 20 CSR 100-1.050(1)(A), and 20 CSR 300-2.100(3) (B) (as amended 20 CSR 100-8.040(3)(B), eff. 7/30/08)

## **O. Mid-Century Insurance Company Private Passenger Auto Bodily Injury Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Bodily Injury claims paid during the examination period.

Field Size:	1,599
Sample Size:	100
Type of Sample:	Random
Number of Errors:	3
Error Ratio:	3.0%
Within DIFP Guidelines:	Yes

The examiners noted the following exceptions during their review:

The examiners found that the Company failed to respond to all pertinent communications from the following three claimants, which suggested that a response was expected within 10 working days.

Claim Number

1010583168

1009456402

1010036918

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

## **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Bodily Injury claims paid during the examination period.

Field Size:	1,599
Sample Size:	100
Type of Sample:	Random
Number of Errors:	1
Error Ratio:	1.0%
Within DIFP Guidelines:	Yes

The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlements of the following claim in which liability was reasonably clear. The Company attempted to settle bodily injury claims prior to claimants being released from the doctor in some claims, and did not do so in others, as documented in the following claim, resulting in an unfair and inequitable treatment of claimants.

Claim Number

1002524179

Reference: § 375.1007(4), RSMo

Although not included in the error ratio listed above in this section of the report, the following 15 claim numbers were considered as individual violations, and did not qualify as general business practices violations that would have been included in the error ratio.

The examiners noted the following exceptions during their review:

The examiners found that the Company failed to include a copy of a Missouri sales tax affidavit or the payment date concerning the insured's/claimant's total loss vehicle in the following 15 claim files.

<u>Claim Number</u>	<u>Claim Number</u>
1007605114	1009382338
1009999365	1011963092
1007871857	1005849114
1009167070	1010923113
1003519674	1004293156
1006178200	1005319482
1006014386	1011142527
1010946452	

Reference: §§ 144.027, 374.205, and 375.1007(3) RSMo, and 20 CSR 300-2.100(3) (B) 3. (as replaced by 20 CSR 100-8.040(3) (B) 3., eff. 7/30/08)

## **P. Mid-Century Insurance Company Private Passenger Auto Uninsured/Underinsured Motorist Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Uninsured/Underinsured Motorist claims paid during the examination period.

Field Size:	97
Sample Size:	97
Type of Sample:	Census
Number of Errors:	36
Error Ratio:	37.1%
Within DIFP Guidelines:	No

The examiners noted the following exceptions during their review:

The examiners found that the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter regarding the following 36 claim files.

<u>Claim Number</u>	<u>Claim Number</u>
GC194235	04083093
1009336837	GC166861
GC158115	1011232690
1011324082	GC195358
1009917171	1008985880
1009262482	1009485369
1004142162	1007889405
1011118039	1006383066
1011381508	1006429908
1009454326	1008760934
1008681101	1010241436
1010970240	1009394799
1009011878	1009218764
1010405461	1011624270
1008471521	1008943293
1009962179	1010870072
1010042256	1011509778
1010988359	1010180180

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



## 2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Total Loss claims paid during the examination period.

Field Size:	97
Sample Size:	97
Type of Sample:	Census
Number of Errors:	6
Error Ratio:	6.2%
Within DIFP Guidelines:	No

1. The examiners found that the Company failed to clearly document the following two claim files showing the inception, handling and disposition of the claim. One file failed to document why it took 53 days after the damage was estimated, to repair the insured's vehicle and the other for failing to document why a Medical Payments claim and reserve for \$2,000 was closed without payment.

### Claim Number

1011324082

1008500303

Reference: §§ 374.205 and 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

2. The examiners found that the Company did not attempt in good faith to effectuate prompt, fair and equitable settlement of the claims and failed to implement reasonable standards for the prompt settlement of claims in that the Company required the claimants listed below to complete an Application for Benefits (AFB) form in order to make a claim for medical payments. Other claimants, listed on page 36 of this report, received medical payment benefits without completing an AFB form, and the Strategy Section of the Company's Claim's Guidelines states: "If coverage is in order, and there is documentation to suggest the treatment is related to the claim, payments can be made without the receipt of the AFB, unless the jurisdiction states otherwise." The examiners also found that the Company failed to pay the medical payments portions of the claims below without conducting a reasonable investigation to determine the extent of injuries suffered by the claimants and the extent of medical bills incurred by the claimants. Following the initial criticism received from the examiners, the Company made payment of \$5,000 on claim number 1009597646 and of \$5,000 on claim number 1004637852.

<u>Claim Number</u>	<u>Claim Underpayment</u>
1004637852	\$5,000
1007971598	\$2,000
1009597646	\$5,000
1008500303*	\$2,000

Reference: §§ 375.1007(3), (4), and (6), 408.020 RSMo and the Company's MED/PIP Claims Handling Guidelines.

- The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following claim arising under its policies. The Company failed to investigate the damages to the insured's vehicle and failed to determine if the damage exceeded the collision deductible.

Claim Number

1008471521

Reference: § 375.1007(3) and (4) RSMo

- The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlements of the following claim in which liability was reasonably clear. The Company attempted to settle an insured's Uninsured Motorist claim prior to the insured being released from the doctor. This practice occurred in some claims, and did not occur in others, as documented in the following claim, resulting in an unfair and inequitable treatment of claimants.

Claim Number

1008471521\*

Reference: § 375.1007(4), RSMo

\* Although listed multiple times, the claim number listed above with an asterisk in this section of the report was only counted once in determining the error ratio.

Although not included in the error ratio listed above in this section of the report, the following claims were considered as individual violations, and did not qualify as general business practices violations that would have been included in the error ratio.

The examiners noted the following exceptions during their review:

1. The examiners found that the Company failed to include a copy of a Missouri sales tax affidavit documenting the date of payment, concerning the insured's/claimant's total loss vehicle in the following two claim files.

Claim Number

1010996263

1003280891

Reference: §§ 144.027, 374.205, and 375.1007(3), RSMo, and 20 CSR 300-2.100(3)(B)  
3. (as replaced by 20 CSR 100-8.040(3)(B)3., eff. 7/30/08)

2. The examiners found that the Company failed to document the following claim file with a copy of a written denial letter to a first party claimant with specific reference to a policy provision, condition, or exclusion.

Claim Number

1008500303

Reference: §§ 374.205 and 375.1007(12), RSMo, and 20 CSR 300-2.100(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08)

**Q. Mid-Century Insurance Company Private Passenger Auto Subrogation Claims Paid**

**1. Claims Time Studies**

According to the Company, there were no claims in this population to sample as it was not able to identify subrogation claims. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**2. Unfair Settlement and General Handling Practices**

According to the Company, there were no claims in this population to sample as it was not able to identify subrogation claims. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **R. Mid-Century Insurance Company Private Passenger Auto Total Loss Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Total Loss claims closed with payment during the examination period.

Field Size:	1,415
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Total Loss claims closed with payment during the examination period.

Field Size:	1,415
Sample Size:	100
Type of Sample:	Random
Number of Errors:	3
Error Ratio:	3.0%
Within DIFP Guidelines:	Yes

The examiners noted the following exceptions during their review:

1. The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlements of the following claim in which liability was reasonably clear. The Company settled the insured's Medical Payments coverage claim for funeral expenses in the amount of \$2,000

without taking into consideration that there was a \$2,500 endorsement coverage limit, resulting in the following claim underpayment.

<u>Claim Number</u>	<u>Claim Underpayment</u>
1009364088	\$500

Reference: §§ 375.1007(4) and 408.020 RSMo

2. The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlements of the following claim in which liability was reasonably clear. The Company failed to investigate whether the insureds wanted to pursue Medical Payments coverage claims. Therefore, the examiners were unable to determine if the claim was prompt, fair and equitable.

<u>Claim Number</u>
1009894706
1011633056

Reference: § 375.1007(4) RSMo

Field Size:	1,415
Sample Size:	100
Type of Sample:	Random
Number of Errors:	2
Error Ratio:	2.0%
Within DIFP Guidelines:	Yes

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following two claims arising under its policies. The Company failed to investigate whether the insureds wanted to pursue Medical Payments coverage claims.

<u>Claim Number</u>
1009894706
1011633056

Reference: § 375.1007(3) RSMo

Field Size:	1,415
Sample Size:	100
Type of Sample:	Random

Number of Errors: 2  
Error Ratio: 2.0%  
Within DIFP Guidelines: Yes

1. The examiners found that the Company failed to disclose all pertinent benefits and coverages at issue to the following two, first-party claimants. The Company failed to advise the insureds that Medical Payments coverage existed.

Claim Number

1009894706

1011633056

Reference: § 375.1007(1) and 20 CSR 100- 1.020(1)(A) and (B)

Although not included in the error ratio listed above in this section of the report, the following 18 claim numbers were considered as individual violations, and did not qualify as general business practices violations that would have been included in the error ratio.

The examiners noted the following exceptions during their review:

The examiners found that the Company failed to include in the following 18 claim files, a copy of a Missouri sales tax affidavit or the payment date, concerning the insured's/claimant's total loss vehicle.

Claim Number

1007005889

1004507539

1007110713

1003918739

1010932888

1011801761

1007381215

1009396739

1010644105

Claim Number

1008963085

1003717145

1011245757

1004373712

1012138232

1011284078

1010945877

1012942583

1011776383

Reference: §§ 144.027, 374.205, and 375.1007(3) RSMo, and 20 CSR 300-2.100(3) (B) 3. (as replaced by 20 CSR 100-8.040(3) (B) 3., eff. 7/30/08)



## **S. Mid-Century Insurance Company Commercial Auto Physical Damage Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Physical Damage claims closed with payment during the examination period.

Field Size:	9
Sample Size:	9
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

The examiners reviewed the total population of Missouri Commercial Auto Physical Damage claims closed with payment during the examination period.

Field Size:	9
Sample Size:	9
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	11.1%
Within DIFP Guidelines:	No

The examiners noted the following exception during their review:

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following claim arising under its policies. The Company failed to attempt to settle a claim, knowing that an injury occurred, leaving the insured with an unnecessary liability exposure.

Claim Number

1012430480

Reference: § 375.1007(3), RSMo

## **T. Mid-Century Insurance Company Commercial Auto Medical Payments Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Medical Payments claims closed with payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Medical Payments claims closed with payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **U. Mid-Century Insurance Company Commercial Auto Bodily Injury Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Bodily Injury claims closed with payment during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Bodily Injury claims closed with payment during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	50.0%
Within DIFP Guidelines:	No

The examiners noted the following exception during their review. Please note that the following claim was considered as an individual violation, and did not qualify as a general business practice violation.

The examiners found that the Company failed to include a copy of a Missouri sales tax affidavit concerning the insured's total loss vehicle in the following claim file.

Claim Number

1003632534

Reference: §§ 144.027, 374.205, and 375.1007(3) RSMo, and 20 CSR 300-2.100(3) (B) 3. (as replaced by 20 CSR 100-8.040(3) (B) 3., eff. 7/30/08)

**V. Mid-Century Insurance Company Commercial Auto Uninsured/Underinsured Motorist Claims Paid**

**1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Uninsured/Underinsured Motorist claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Uninsured/Underinsured Motorist claims closed without payment during the

examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **W. Mid-Century Insurance Company Commercial Auto Subrogation Claims Paid**

### **1. Claims Time Studies**

According to the Company, there were no claims in this population to sample as it was not able to identify subrogation claims. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

According to the Company, there were no claims in this population to sample as it was not able to identify subrogation claims. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **X. Mid-Century Insurance Company Commercial Auto Total Loss Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Private Commercial Auto Total Loss Claims paid during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Private Commercial Auto Total Loss Claims paid during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **Y. Mid-Century Insurance Company Private Passenger Auto Physical Damage Claims Closed Without Payment**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Physical Damage Claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Physical Damage Claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **Z. Mid-Century Insurance Company Private Passenger Auto Medical Payments Claims Closed Without Payment**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Medical Payments Claims closed without during the examination period.

Field Size:	134
Sample Size:	134
Type of Sample:	Census
Number of Errors:	2
Error Ratio:	1.5%
Within DIFP Guidelines:	Yes

1. The examiners found that the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter regarding the following two claim files.

#### Claim Number

1009856618

1010821046

Reference: §§ 374.205 and 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

Field Size:	134
Sample Size:	134
Type of Sample:	Census
Number of Errors:	1



Error Ratio: 0.75%  
Within DIFP Guidelines: Yes

2. The examiners found that the Company failed to respond to all pertinent communications from the following claimant, which suggested that a response was expected within 10 working days.

Claim Number

1010821046

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

## 2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Medical Payments Claims closed without during the examination period.

Field Size: 134  
Sample Size: 134  
Type of Sample: Census  
Number of Errors: 6  
Error Ratio: 4.5%  
Within DIFP Guidelines: Yes

The examiners noted the following exceptions during their review. Please note that the following claims were considered as individual violations, and did not qualify as general business practice violations.

The examiners noted the following exceptions during their review:

1. The examiners found that the Company failed to include in the following five claim files, a copy of a Missouri sales tax affidavit or the payment date, concerning the insured's/claimant's total loss vehicle.

Claim Number

1011180259

1011714418

1009728790

Claim Number

1011381898

1009483622

Reference: §§ 144.027, 374.205, and 375.1007(3) RSMo, and 20 CSR 300-2.100(3) (B) 3. (as replaced by 20 CSR 100-8.040(3) (B) 3., eff. 7/30/08)

2. The examiners found that the Company failed to clearly document the following claim file showing the inception, handling and disposition of the

claim. The file failed to document what action the Company took after receiving a letter from an attorney.

Claim Number

1009140644

Reference: § 374.205, RSMo, and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

**AA. Mid-Century Insurance Company Private Passenger Auto Bodily Injury Claims Closed Without Payment**

**1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Bodily Injury Claims closed without payment during the examination period.

Field Size:	129
Sample Size:	129
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Bodily Injury Claims paid during the examination period.

Field Size:	129
Sample Size:	129
Type of Sample:	Census
Number of Errors:	4
Error Ratio:	3.1%
Within DIFP Guidelines:	Yes

The examiners noted the following exceptions during their review. Please note that the following claims were considered as individual violations, and did not qualify as general business practice violations.

The examiners found that the Company failed to include in the following four claim files, a copy of a Missouri sales tax affidavit or the payment date, concerning the insured's/claimant's total loss vehicle.

<u>Claim Number</u>	<u>Claim Number</u>
1006089374	1009526553
1007561663	1008302735

Reference: §§ 144.027, 374.205, and 375.1007(3) RSMo, and 20 CSR 300-2.100(3) (B) 3. (as replaced by 20 CSR 100-8.040(3) (B) 3., eff. 7/30/08)

## **AB. Mid-Century Insurance Company Private Passenger Auto Subrogation Claims Closed Without Payment**

### **1. Claims Time Studies**

According to the Company, there were no claims in this population to sample as it was not able to identify subrogation claims. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

According to the Company, there were no claims in this population to sample as it was not able to identify subrogation claims. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**AC. Mid-Century Insurance Company Private Passenger Auto Total Loss Claims Closed Without Payment**

**1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Total Loss Claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Total Loss Claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**AD. Mid-Century Insurance Company Private Passenger Auto Uninsured/Underinsured Motorist Claims Closed Without Payment**

**1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Private Passenger Auto Uninsured/Underinsured Motorist Claims closed without payment during the examination period.

Field Size:	31
Sample Size:	31
Type of Sample:	Census
Number of Errors:	9
Error Ratio:	32.3%
Within DIFP Guidelines:	No

The examiners noted the following exceptions during their review:

The examiners found that the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter regarding the following nine claim files.

<u>Claim Number</u>	<u>Claim Number</u>
1004988131	1010144575
1007089607	1011674238
1009108917	1010591159
1010713803	1009320775
1009929561	

Reference: §§ 374.205 and 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

Field Size:	31
Sample Size:	31
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	3.3%
Within DIFP Guidelines:	Yes

The examiners found that the Company failed to respond to all pertinent communication from the following claimant, which suggested that a response was expected within 10 working days.

<u>Claim Number</u>
1010621569

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

## 2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Uninsured/Underinsured Motorist Claims closed without payment during the examination period.

Field Size:	31
Sample Size:	31
Type of Sample:	Census
Number of Errors:	4
Error Ratio:	12.9%
Within DIFP Guidelines:	No

The examiners noted the following exceptions during their review:

The examiners found that the Company misrepresented relevant facts or policy provisions to the following four claimants relating to coverages at issue, by requiring the insureds to submit medical bills within 60 days of treatment when the endorsement containing this language was not part of the policies.

<u>Claim Number</u>	<u>Claim Number</u>
1004988131	1009108917
1010591159	1009929561

Reference: § 375.1007(1) and 20 CSR 1.020(1)(A) and (B), and Policy Provisions

Field Size:	31
Sample Size:	31
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	3.2%
Within DIFP Guidelines:	Yes

The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following claim arising under its policies of the following claim. The Company failed to investigate the subrogation potential and potential recovery of all or a portion of the insured's deductible.

Claim Number

1011777115

Reference: § 375.1007(3) RSMo



Although not included in the error ratio listed above in this section of the report, the following claim number was considered an individual violation, and did not qualify as general business practices violations that would have been included in the error ratio.

The examiners found that the Company failed to clearly document the following claim file showing the inception, handling and disposition of the claim. The file failed to document how the Company determined the percentage of negligence.

Claim Number

1011777115

Reference: § 374.205, RSMo, and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

**AE. Mid-Century Insurance Company Commercial Auto Physical Damage Claims Closed Without Payment**

**1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Physical Damage Claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Physical Damage Claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**AF. Mid-Century Insurance Company Commercial Auto Medical Payments Claims Closed Without Payment**

**1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Medical Payment Claims closed without payment during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Medical Payment Claims closed without payment during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

**AG. Mid-Century Insurance Company Commercial Auto Bodily Injury Claims Closed Without Payment**

**1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Bodily Injury Claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Bodily Injury Claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **AH. Mid-Century Insurance Company Commercial Auto Subrogation Claims Closed Without Payment**

#### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Subrogation claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The Company was not able to identify subrogation claims for the examiners to sample from. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

#### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Subrogation claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The Company was not able to identify subrogation claims for the examiners to sample from. The examiners were made aware of this, and kept in mind subrogation potential on claims where it was recognized. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0

Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **AI. Mid-Century Insurance Company Commercial Auto Total Loss Claims Closed Without Payment**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Total Loss Claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Total Loss Claims closed without payment during the examination period. According to the Company, there were no claims in this population to sample. The examiners discovered no evidence to the contrary.

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **AJ. Mid-Century Insurance Company Commercial Auto Uninsured/Underinsured Motorist Claims Closed Without Payment**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Commercial Auto Uninsured/Underinsured Motorist Claims closed without payment during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Commercial Auto Uninsured/Underinsured Motorist Claims closed without payment during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **AK. Farmers Insurance Exchange Homeowners Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Homeowners Claims paid during the examination period.

Field Size:	1,020
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Homeowners Claims paid during the examination period.

Field Size:	1,020
Sample Size:	100
Type of Sample:	Random
Number of Errors:	1

Error Ratio: 1.0%

The examiners noted the following exception during their review:

1. The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlements of the following claim in which liability was reasonably clear. The Company attempted to settle an insured's roof damage claim without following generally accepted repair practices, resulting in an unfair and inequitable treatment of claimants and the following claim underpayment.

<u>Claim Number</u>	<u>Claim Underpayment</u>
1011541399	\$1,041.95

Reference: §§ 375.1007(4) and 408.020 RSMo

#### **AL. Farmers Insurance Exchange Homeowners Claims Closed Without Payment**

##### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Homeowners Claims closed without payment during the examination period.

Field Size:	602
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

##### **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Homeowners Claims closed without payment during the examination period.

Field Size:	602
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners noted the following exceptions during their review. Please note that the following claims were considered as individual violations, and did not qualify as general business practice violations.



1. The examiners found that the Company failed to document the following claim file with a copy of a written denial letter to a first party claimant with specific reference to a policy provision, condition, or exclusion.

Claim Number

1011764587

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

2. The examiners found that the Company failed to clearly document the following claim file showing the inception, handling and disposition of the claim. The file failed to document the age of the roof. Therefore, the examiners were unable to determine if depreciation should have been considered, if the settlement was correct, and if the insured was treated fairly, and equally.

Claim Number

1012779160

Reference: § 374.205, RSMo, and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

## **AM. Mid-Century Insurance Company Homeowners Claims Paid**

### **1. Claims Time Studies**

The examiners requested a sample from the total population of Missouri Homeowners Claims paid during the examination period.

Field Size:	7,322
Sample Size:	100
Type of Sample:	Random
Number of Errors:	2
Error Ratio:	2.0%
Within DIFP Guidelines:	Yes

The examiners noted the following exceptions during their review:

The examiners found that the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter regarding the following two claim files.

Claim Number

1011649203

1009203806

Reference: §§ 374.205 and 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.100(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08.)

## 2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Homeowners Claims paid during the examination period.

Field Size:	7,322
Sample Size:	100
Type of Sample:	Random
Number of Errors:	1
Error Ratio:	1.0%
Within DIFP Guidelines:	Yes

The examiners noted the following exception during their review:

The examiners found that the Company failed to disclose all pertinent benefits and coverages at issue to the following first party claimant. The Company failed to explain to the insured that \$1,499.54 in recoverable depreciation was available within 180 days after the loss, resulting in the following claim underpayment.

<u>Claim Number</u>	<u>Claim Underpayment</u>
1009696107	\$1,499.54

Reference: §§ 375.1007(1) and (4), and 408.020 RSMo and 20 CSR 100- 1.020(1)(A) and (B)

## AN. Mid-Century Insurance Company Homeowners Claims Closed Without Payment

### 1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Homeowners Claims closed without payment during the examination period.

Field Size:	2,575
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

## **2. Unfair Settlement and General Handling Practices**

The examiners requested a sample from the total population of Missouri Homeowners Claims closed without payment during the examination period.

Field Size:	2,575
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0.0%

The examiners discovered no issues or concerns.

### **AO. Practices Not In The Best Interest of Missouri 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 or concerns.

## **II. 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, 2007, through October 27, 2008.

### **A. Farmers Insurance Exchange Complaints Sent Directly to the DIFP**

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) (as replaced by 20 CSR 100-8.040(3)(D) eff. 7/30/08).

The examiners discovered no issues or concerns.

### **B. Farmers Insurance Exchange Complaints Sent 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) (as replaced by 20 CSR 100-8.040(3)(D) eff. 7/30/08).

The examiners discovered no issues or concerns.

### **C. Mid-Century Insurance Company Complaints Sent Directly to the DIFP**

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) (as replaced by 20 CSR 100-8.040(3)(D) eff. 7/30/08).

The examiners discovered no issues or concerns.

### **D. Mid-Century Insurance Company Complaints Sent 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) (as replaced by 20 CSR 100-8.040(3)(D) eff. 7/30/08).

The examiners noted the following exception during their review:

1. The examiners found that the Company failed to maintain a complete record of all complaints which it received. The following claim file complaint was not listed on a complaint register submitted to the examiners by the Company, which primarily expressed a grievance in written form.

Claim Number

1011949321

Reference: § 375.936(3) and 20 CSR 300-2.100(3)(D) (as replaced by 20 CSR 100-8.040(3)(D) eff. 7/30/08).

### III. 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

<u>Calendar Days</u>	<u>Number of Criticisms</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	114	100 %
Received outside time-limit, incl. any extensions	0	0.0 %
<u>No Response</u>	<u>0</u>	<u>0.0 %</u>
Total	114	100 %

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

#### B. Formal Request Time Study

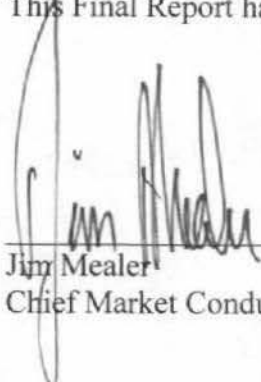
<u>Calendar Days</u>	<u>Number of Requests</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	5	100 %
Received outside time-limit, incl. any extensions	0	0.0 %
<u>No Response</u>	<u>0</u>	<u>0.0 %</u>
Total	5	100 %

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 Mid-Century Insurance Co (NAIC #21687) and Farmers Insurance Exchange (NAIC #21652), Examination Number 0811-19-TGT. This examination was conducted by Scott B. Pendleton, Dale C. Hobart, Dennis R. Foley, and Christine L. Donner. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated November 4, 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

5/9/2013  
Date



FARMERS

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Assistant Vice President  
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January 3, 2011

Ms. Carolyn H. Kerr  
Senior Counsel  
Missouri Department of Insurance  
301 West High Street, Room 530  
Jefferson City, MO 65102-0690

RECEIVED  
JAN 05 2011

DEPT OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

Re: Missouri Market Conduct Exam Report Response

Dear Ms. Kerr:

We have received the Draft Report of the Missouri Market Conduct Examination of Farmers Insurance Exchange and Mid-Century Insurance Company. The following is our response to the findings, recommendations and concerns contained in the Draft Report. We would like to thank the Department, and your examination team, for the cooperation and courtesies shown to us during the exam process.

Before we address particular areas of the Draft Report, we wish to point out that the Companies and Exchanges of the Farmers Insurance Group of Companies® seriously consider all insurance department examinations and the recommendations of the examiners. Therefore, we have thoroughly reviewed each of the findings and comments.

Our response includes those areas where procedures have been, or will be, amended or where we respectfully dispute the findings of the examiners. We ask that further consideration be given to any disputed items in the course of drafting the final report. Unless otherwise noted, this response tracks with the order and sequence of the findings in the Draft Report. Please note that neither these comments nor any of our actions are an admission on our part of any violation, wrongdoing or fault, and should not be interpreted by the Department or any other party as constituting any admissions. Please further note that we are providing these comments and taking actions without waiver of any defense, legal or equitable, and without waiver of any applicable privilege in connection with the information provided.

Very truly yours,

Burt Garavaglia  
Assistant Vice President  
Regulatory Affairs  
Farmers Group, Inc.

I. CLAIMS PRACTICES

B. Farmers Insurance Exchange Commercial Auto Medical Payments Claims Paid  
Page 23

2. Commercial Auto Unfair Settlement and General Handling Practices

Sections 1-4 Company Response:

1008876131: We do not dispute the above-referenced finding in sections 1-4 noted above. It should also be noted that the entire claims population consisted of 1 claim. The findings from this audit do not represent the practice or procedure of the Farmer's Claims Department.

C. Farmers Insurance Exchange Commercial Auto Bodily Injury Claims Paid  
Page 25

2. Commercial Auto Unfair Settlement and General Handling Practices

Section 2 Company Response:

1010660300: We respectfully disagree with this finding. Although the insured indicated that his back and shoulders were bothering him, he had not presented a claim. Also, on August 13, 2007, the Claims Representative noted in the file notes that he "explained coverages and benefits and reviewed deductible and overall claims process". The coverages explained would have included all applicable coverages, including any medical payments coverage available.

Section 3 Company Response:

1010660300: We do not dispute this finding. The check plus interest has been issued to the insured. The check was issued on February 10, 2010 and cashed on February 22, 2010. The claim closed on November 20, 2007.

1010552977: We respectfully disagree with the above-referenced finding. At the time of the initial offer, the claimant had not sought any treatment but indicated that she was sore and may need to see her chiropractor. As noted in the Claims Representative's July 30, 2007 log entry, \$500 was offered in good faith so that she would have money to cover her chiropractor charges. Once the Company was made aware of the claimant's chiropractic treatments, all further offers were evaluated accordingly.

1010201489: We respectfully disagree with the above-referenced finding. MO 20 CSR 100-1.050(3) (E) allows for betterment reductions with proper documentation and appropriate in amount.

MO 20 CSR 100-1.050(3) (E)

*(E) When the amount claimed is reduced because of betterment or depreciation, all information for the reduction shall be contained in the claim file. These reductions shall be itemized and shall be appropriate in amount.*

During the initial inspection of the vehicle, numerous areas of prior and unrelated damage were observed on the claimant's vehicle. As a compromise, the Claims Representative agreed to paint the entire bumper cover and hood but take betterment on the bumper cover due to the unrelated prior damage. The shop accepted the compromise and the repair was authorized. The reductions are itemized as required in the CCC estimate.

We believe we have met the requirements of MO 20 CSR 100-1.050(3) (E) with our application of betterment and ask the Department to reconsider their position in this matter.

1011828777: We respectfully disagree with the above-referenced finding. The claimant was seen at the Emergency Room on April 4, 2008 and released. The Claims Representative met with the claimant on April 15, 2008 and explained the settlement options. Although the medical specials from the hospital were not received, the Claims Representative offered to cover the outstanding bills in full and also include \$700.00 in new money. The offer was accepted and the claim was closed. Note that the claimant did not indicate that she was pursuing further treatments and as such, we believe the company acted in good faith and not against public policy. The total settlement paid for this matter was a very reasonable \$1,258.00. The claim was closed on January 21, 2009.

**D. Farmers Insurance Exchange Commercial Auto Uninsured/Underinsured  
Motorist Claims Paid  
Page 27**

**2. Commercial Auto Unfair Settlement and General Handling Practices**

**Section 2 Company Response:**

1008876131: We respectfully disagree with the above-referenced finding. The loss was reported to the company on August 25, 2006. Contact was made with the insured on August 31, 2006 and a recorded statement was taken the same day. Additionally, the claims process and coverages available were discussed with the insured driver. Determination of liability/percentage was documented in the Claims Representative's September 19, 2006 log entry. Settlement valuation is based upon factors discussed in the Claims Representative's July 26, 2007 log entries.

**G. Farmers Insurance Exchange Commercial Auto Physical Damage Claims  
Closed Without Payment  
Page 30**

## 2. Commercial Auto Unfair Settlement and General Handling Practices

### Section 1 Company Response:

**1011799411:** We respectfully disagree with the above-referenced finding. The Company conducted a full investigation into the odometer discrepancy and determined that the named insured was not liable for the odometer discrepancy and therefore, would not be liable for the incident. The insured was notified both verbally and in writing of the Company's findings on May 28, 2008. The Claims Representative investigated the odometer discrepancy, determined the policy applied as the appropriate endorsement was attached to the policy providing coverage. Further investigation was completed which revealed that the named insured was not liable for the odometer discrepancy and therefore, would not be liable for the incident. A letter was sent to the insured advising of the findings of the investigation. The claim was closed on May 28, 2008.

**1009812489:** This claim was re-keyed due to the date of loss not being correct. The rekeyed claim is 1009821549.

**1009821549:** Please be advised that this is the same loss as 1009812489 above and as such, the same finding. Please consolidate with 1009812489 above. As indicated in our prior response, the claim file was re-keyed due to the date of loss not being correct. The re-keyed claim number is 1009821549. The file reflects that our Claims Representative contacted the insured and explained coverages and the claim process the day the claim was reported. Direct repair options were discussed with the customer and the customer chose a direct repair facility. The Company agrees that there is a lack of file documentation after the customer's assignment to the direct repair facility but disagrees that this is a separate violation.

### Section 2 Company Response:

**1010660300:** We respectfully disagree with the above-referenced finding. The overall evaluation is captured in the log notes dated October 10, 2007 and did not include a reduction due to the medical bills being covered under another policy. A copy of the evaluation tool used is attached to the claim file. The report shows a BI settlement range of \$3,990 - \$4,740. However, please note that claims are evaluated using the experience and judgment of the Claims Representative and as such, this evaluation tool is only one aspect of how the claim is valued.

## M. Mid-Century Insurance Company Private Passenger Auto Physical Damage Claims Paid

Page 37

### 1. Private Passenger Auto Time Studies

#### Section 1 Company Response:

We would like to point out that the Draft Report lists this section as not being within DIFP guidelines. However, with only a 1% error rate it actually falls within the

guidelines. We respectfully request that the Department review and correct this oversight.

**N. Mid-Century Insurance Company Private Passenger Auto Medical Payments Claims Paid**

**Page 39**

**1. Private Passenger Auto Time Studies**

**Section 1 Company Response:**

We continue to respectfully disagree with these citations. The Department cites the Company for failure to send a 45 day status letter which is required when a determination to accept or deny a claim has not been made because additional information is needed or is being gathered. According to the Department's regulations "if a claim file remains open due to a continuing investigation, the letters must be sent out every 45 days until such determination is made". This is the language set forth in the regulation, 20 CSR 100-1.050 (C). This language, however, pertains to a determination of whether or not the claim will be accepted or denied.

It is the policy of the Company to make a claim determination within the first 45 days of the notice of the claim. Once the decision to accept or deny a claim has been timely made, the 45 day status letter no longer applies. In the files reviewed, the claim had been accepted and the Company was proceeding to handle the claim accordingly. 20 CSR 100-1.050 does not require an ongoing notice once the claim has been made. Further the Company's action does not give rise to a violation of the MO Improper Claims practices provision cited under (375.1007(4) RSMo. This section indicates that an improper claims practice is: "not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonable clear." In each case, we were awaiting additional information from the claimant in order to properly resolve the claim.

In summary, the 45 day status letter Regulation 20 CSR 100-1.50 sets forth the standards for the Prompt, Fair and Equitable Settlement of Claims under the Improper Claims Practices statute. The regulation requires a 45 day follow up but ONLY where the insurer needs more time to determine if a claim should be accepted or denied. The requirement to send a 45 day status letter under this regulation relates to an open investigation as to whether the claim is to be accepted. There is no blanket requirement to provide a 45 day letter once the claim has been accepted. At that point, the standard reverts back to the statute- which is a standard of reasonable, good faith actions. Where a regulation does not expressly construe a statutory provision, it cannot be applied.

In an effort to prevent a lengthy response; we propose to discuss each claim in more detail with the Department if requested.

**2. Private Passenger Auto Unfair Settlement and General Handling Practices**



## Section 2 Company Response:

We respectfully disagree with the above-referenced finding. We cannot properly evaluate a claim and consider payment until we receive all documentation relating to attorney contact, medical bills and other proof of loss in addition to the completed Application for Benefits. There are situations where the Application for Benefits requirement is waived for certain reasons. Specifically, since medical bills have not been received in any of these claims, we cannot begin to determine what payments should be made.

## Section 3 Company Response:

**1010446831:** We respectfully disagree with the above-referenced finding. A payment was issued to insured's wife on August 13, 2007 and the Company paid its pro-rata portion with State Farm. This fatality accident occurred within one hour of the purchase of the policy, which resulted in dual coverage. No medical bills were incurred and the funeral expense was paid pro rata with State Farm at a 60/40 split. The claim was closed on August 14, 2007.

### P. Mid-Century Insurance Company Private Passenger Auto Uninsured/Underinsured Motorist Claims Paid Page 44

#### 1. Private Passenger Auto Time Studies

### Section 1 Company Response:

As noted in Section N, we continue to respectfully disagree with these citations. The Department cites the Company for failure to send a 45 day status letter which is required when a determination to accept or deny a claim has not been made because additional information is needed or is being gathered. According to the Department's regulations "if a claim file remains open due to a continuing investigation, the letters must be sent out every 45 days until such determination is made". This is the language set forth in the regulation, 20 CSR 100-1.050 (C). This language, however, pertains to a determination of whether or not the claim will be accepted or denied.

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In summary, the 45 day status letter Regulation 20 CSR 100-1.50 sets forth the standards for the Prompt, Fair and Equitable Settlement of Claims under the Improper Claims Practices statute. The regulation requires a 45 day follow up but ONLY where the insurer needs more time to determine if a claim should be accepted or denied. The requirement to send a 45 day status letter under this regulation relates to an open investigation as to whether the claim is to be accepted. There is no blanket requirement to provide a 45 day letter once the claim has been accepted. At that point, the standard reverts back to the statute- which is a standard of reasonable, good faith actions. Where a regulation does not expressly construe a statutory provision, it cannot be applied.

1011324082 and 1008471521: We respectfully request the referenced findings be removed as they are listed as duplicates within this section of the report.

**S. Mid-Century Insurance Company Commercial Auto Physical Damage Claims Paid  
Page 54**

**2. Commercial Auto Physical Damage Unfair Settlement and General Handling Practiced**

**Section 1 Company Response:**

1012430480: We respectfully disagree with the above-referenced finding. The claim was reported to the Company on July 12, 2008 and contact was made with claimant driver's mother on July 14, 2008. The claimant's mother advised that claimant driver "had a bruised knee but no medical treatment". Contact was made with the claimant driver on July 15, 2008, at which time she confirmed that she hurt her knee but did not seek medical treatment. As no injury claim was presented, a release was not appropriate at that time.

**U. Mid-Century Insurance Company Commercial Auto Bodily Injury Claims Paid, Page 55**

**2. Commercial Auto Unfair Settlement and General Handling Practices**

**Section 1 Company Response:**

1003632534: We do not dispute the finding on the above-referenced finding. The company centralized all total loss claims into one department. This centralization has helped our efficiency and accuracy by allowing us to automate portions of the claim, including this certificate. The process is currently in place and periodic testing is performed to ensure compliance.

**AD. Mid-Century Insurance Company Private Passenger Auto Uninsured/Underinsured Claims Closed Without Payment  
Page 64**

## 1. Private Passenger Auto Time Studies

### Section 1 Company Response:

As noted in Section N, we continue to respectfully disagree with these citations. The Department cites the Company for failure to send a 45 day status letter which is required when a determination to accept or deny a claim has not been made because additional information is needed or is being gathered. According to the Department's regulations "if a claim file remains open due to a continuing investigation, the letters must be sent out every 45 days until such determination is made". This is the language set forth in the regulation, 20 CSR 100-1.050 (C). This language, however, pertains to a determination of whether or not the claim will be accepted or denied.

It is the policy of the Company to make a claim determination within the first 45 days of the notice of the claim. Once the decision to accept or deny a claim has been timely made, the 45 day status letter no longer applies. In the files reviewed, the claim had been accepted and the Company was proceeding to handle the claim accordingly. 20 CSR 100-1.050 does not require an ongoing notice once the claim has been made. Further the Company's action does not give rise to a violation of the MO Improper Claims practices provision cited under (375.1007(4) RSMo. This section indicates that an improper claims practice is: "not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonable clear." In each case, we were awaiting additional information from the claimant in order to properly resolve the claim.

In summary, the 45 day status letter Regulation 20 CSR 100-1.50 sets forth the standards for the Prompt, Fair and Equitable Settlement of Claims under the Improper Claims Practices statute. The regulation requires a 45 day follow up but ONLY where the insurer needs more time to determine if a claim should be accepted or denied. The requirement to send a 45 day status letter under this regulation relates to an open investigation as to whether the claim is to be accepted. There is no blanket requirement to provide a 45 day letter once the claim has been accepted. At that point, the standard reverts back to the statute- which is a standard of reasonable, good faith actions. Where a regulation does not expressly construe a statutory provision, it cannot be applied.

In an effort to prevent a lengthy response; we propose to discuss each claim in more detail with the Department if requested.

## 2. Private Passenger Auto Unfair Settlement and General Handling Practices

### Section 1 Company Response:

The Company continues to respectfully disagree with these 4 citations. In each case endorsement E1006 was present, which states that all bills must be received within 60 days of treatment for consideration. Requiring adherence to the policy terms does not constitute a misrepresentation of the facts.

## II. COMPLAINTS

### D. Mid-Century Insurance Company Complaints Sent Directly to the Company

#### Company Response:

1011949321: We respectfully disagree with the above-referenced finding. The email received on May 8, 2008 did acknowledge our denial letter and advised of a potential error in the letter regarding the replacement of the threshold. No actual complaint was made regarding this specific claim.

However, the insured did mention several prior claims and expressed dissatisfaction but provided very few details. The CR did follow up and ask that the insured provide more information on these previous claims but no response was received. Since there was no specific complaint regarding this claim and no resolution was being sought, the complaint was not documented in the register.