STATE OF ARIZONA

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STATE OF ARIZONA



DEPARTMENT OF INSURANCE

Docket No. 06A-226-INS In the Matter of: FARMERS INSURANCE EXCHANGE, NAIC # 21652, **CONSENT ORDER** Respondent.

Examiners for the Department of Insurance (the "Department") conducted a target market examination of Farmers Insurance Exchange ("FIE"). In the Report of Target Market Examination of the Market Conduct Affairs of Farmers Insurance Exchange, the Examiners allege that Farmers Insurance Exchange violated A.R.S. § 20-2110.

Farmers Insurance Exchange wishes to resolve this matter without formal proceedings, neither admits nor denies that the following Findings of Fact and Conclusions of Law are true, and consents to the entry of the following Order.

FINDINGS OF FACT

- 1. Farmers Insurance Exchange is authorized to transact property and casualty insurance pursuant to a Certificate of Authority issued by the Director.
- 2. The Director authorized the Examiners to conduct a target market examination of Farmers Insurance Exchange. The examination covered the time period from April 1, 2005 through March 31, 2006 and concluded on October 6, 2006. Based on the examination findings, the Examiners prepared the "Report of Target Market Examination of Farmers Insurance Exchange" dated March 31, 2006.
- The Examiners reviewed 34 of 34 homeowner policies non-renewed by 3. the Company and 14 of 14 homeowner policies declined during the time frame of the examination and found that FIE failed to include a Summary of Rights with four

homeowner non-renewals and six homeowner declinations.

CONCLUSIONS OF LAW.

- 1. FIE violated A.R.S §20-2110 by failing to send policyholder a Summary of Rights in the event of an adverse underwriting decision.
- 2. Grounds exist for the entry of the following Order in accordance with A.R.S. §§20-220 and 20-2117.

ORDER

IT IS HEREBY ORDERED THAT:

- 1. Farmers Insurance Exchange shall cease and desist from:
- a. Failing to send insureds a compliant Summary of Rights in the event of an adverse underwriting decision.
- 2. Within 90 days of the filed date of this Order, Farmers Insurance Exchange shall submit to the Arizona Department of Insurance, for approval, evidence that corrections have been implemented and communicated to the appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order section of this Consent Order. Evidence of corrective action and communication thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence, procedures manuals, print screens, and training materials.
- 3. The Department shall be permitted, through authorized representatives, to verify that FIE has complied with all provisions of this Order.
- 4. FIE shall pay a civil penalty of \$15,000.00 to the Director for remission to the State Treasurer for deposit in the State General Fund in accordance with A.R.S. \$20-220(B). The civil penalty shall be provided to the Market Oversight Division of the Department prior to the filing of this Order.
 - 5. The Report of Target Market Examination of Farmers Insurance

1	Exchange of March 31, 2006, including the letter with their objections to the Report of
2	Examination, shall be filed with the Department upon the filing of this Order.
3	DATED at Arizona this 5 day of December, 2006.
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5	Christina Urias
6	Director of Insurance
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CONSENT TO ORDER

- 1. Farmers Insurance Exchange has reviewed the foregoing Order.
- 2. Farmers Insurance Exchange admits the jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.
- 3. Farmers Insurance Exchange is aware of the right to a hearing, at which it may be represented by counsel, present evidence and cross-examine witnesses. Farmers Insurance Exchange irrevocably waives the right to such notice and hearing and to any court appeals related to this Order.
- 4. Farmers Insurance Exchange states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.
- 5. Farmers Insurance Exchange acknowledges that the acceptance of this Order by the Director of the Arizona Department of Insurance is solely for the purpose of settling this matter and does not preclude any other agency or officer of this state or its subdivisions or any other person from instituting proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future.

6.			Ronald G.	Myhan,	who	holds	the	office	of
Senior V	VP	&	Treasurer	_ of Farmers Insurance Excha	ange,	is auth	orize	d to en	ter
into this Oı	rde	r fo	or them and o	n their behalf.					

FARMERS INSURANCE EXCHANGE

November	29,	2006	By

Date

1	COPY of the foregoing mailed/delivered
2	this <u>6th</u> day of <u>December</u> , 2006, to:
3	Gerrie Marks
4	Deputy Director Mary Butterfield
5	Assistant Director Consumer Affairs Division
6	Paul J. Hogan Market Oversight Administrator
7	Market Oversight Division
8	Dean Ehler Assistant Director
9	Property and Casualty Division Steve Ferguson
10	Assistant Director Financial Affairs Division
11	Alan Griffieth Chief Financial Examiner
12	Alexandra Schafer Assistant Director
13	Life and Health Division Terry L. Cooper
14	Fraud Unit Chief
15	DEDARTMENT OF INCURANCE
16	DEPARTMENT OF INSURANCE 2910 North 44th Street, Suite 210
17	Phoenix, AZ 85018
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19	4
20	William, Johanneson, AVP Regulatory Affairs Farmers Insurance Exchange
21	4680 Wilshire Blvd.
22	Los Angeles, CA 90010
23	
24	Cherrey Buston
25	