

ML

JUN 01 2011

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY *MS*

In the Matter of:)	Docket No. 11A-053_INS
FARMERS INSURANCE EXCHANGE,)	
NAIC # 21652,)	CONSENT ORDER
Respondent.)	

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of Farmers Insurance Exchange ("FIE"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of Farmers Insurance Exchange, the examiners allege that Farmers Insurance Exchange violated A.R.S. §§20-443, 20-466.03 and 20-1652.

Farmers Insurance Exchange wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true, neither admits nor denies the following Conclusions of Law and consents to the entry of this 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 conduct examination of Farmers Insurance Exchange. The examination covered the time period from July 1, 2009 through June 30, 2010 and concluded on March 4, 2011. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of Farmers Insurance Exchange" dated June 30, 2010.
3. The examiners reviewed 100 of 70,690 homeowners new and renewal files issued during the time frame of the examination and found that FIE issued 30

1 homeowner policies in which the effective time/dates on the homeowner declarations
2 page differed from the effective time/dates on the cancellation/expiration notices.

3 4. The examiners reviewed 50 of 232 homeowner policies non-renewed
4 during the time frame of the examination and found that FIE failed to provide an
5 additional 30-days notice to remedy the identified conditions prior to sending the non-
6 renewal notice based on "condition of premises" to 3 policyholders.

7 5. The examiner found 2 claim forms (Exhibit A) used by the Company
8 during the time frame of the examination that failed to contain a compliant fraud
9 warning notice.

10 **CONCLUSIONS OF LAW**

11 1. FIE violated A.R.S. §20-443(A) by issuing new and renewal homeowner
12 policies where the effective time/dates on the declarations pages differ form the
13 effective time/dates on the cancellation and/or expiration notices.

14 2. FIE violated A.R.S §20-1652(B) by failing to provide an additional 30-
15 days notice to remedy the identified conditions prior to sending the non-renewal notice
16 based on "condition of premises."

17 3. FIE violated A.R.S §20-466.03 by using claim forms that failed to contain
18 a compliant fraud warning notice.

19
20 **ORDER**

21 **IT IS HEREBY ORDERED THAT:**

- 22 1. Farmers Insurance Exchange shall:
23 a. use homeowner declaration pages that display the correct expiration
24 time of 12:01AM in Arizona.
25 b. shall provide an additional 30-days notice to remedy the identified

1 conditions prior to sending the non-renewal notice based on "condition of
2 premises."

3 c. use claim forms that contain a compliant fraud warning notice.

4 2. Within 90 days of the filed date of this Order, Farmers Insurance
5 Exchange shall submit to the Arizona Department of Insurance, for approval, evidence
6 that FIE implemented corrections and communicated these corrections to the
7 appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order
8 section of this Consent Order. Evidence of corrective action and communication
9 thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence,
10 procedures manuals, print screens, and training materials.

11 3. The Department shall through authorized representatives, verify that FIE
12 has complied with all provisions of this Order.

13 4. FIE shall pay a civil penalty of \$10,000.00 to the Director for remission to
14 the State Treasurer for deposit in the State General Fund in accordance with A.R.S.
15 §20-220(B). FIE shall submit the civil penalty to the Market Oversight Division of the
16 Department prior to the filing of this Order.

17 5. The Report of Target Market Conduct Examination of Farmers Insurance
18 Exchange of June 30, 2010, including the letter with their objections to the Report of
19 Examination, shall be filed with the Department upon the filing of this Order.

20 DATED at Arizona this 31ST day of May, 2011.

21
22
23
24 
25 Christina Urias
Director of Insurance

1 **CONSENT TO ORDER**

2 1. Farmers Insurance Exchange has reviewed the foregoing Order.

3 2. Farmers Insurance Exchange admits the jurisdiction of the Director of
4 Insurance, State of Arizona, admits the foregoing Findings of Fact, neither admits nor
5 denies the Conclusions of Law, and consents to the entry of the Order.

6 3. Farmers Insurance Exchange is aware of the right to a hearing, at which
7 it may be represented by counsel, present evidence and cross-examine witnesses.
8 Farmers Insurance Exchange irrevocably waives the right to such notice and hearing
9 and to any court appeals related to this Order.

10 4. Farmers Insurance Exchange states that no promise of any kind or
11 nature whatsoever was made to it to induce it to enter into this Consent Order and that
12 it has entered into this Consent Order voluntarily.

13 5. Farmers Insurance Exchange acknowledges that the acceptance of this
14 Order by the Director of the Arizona Department of Insurance is solely for the purpose
15 of settling this matter and does not preclude any other agency or officer of this state or
16 its subdivisions or any other person from instituting proceedings, whether civil, criminal,
17 or administrative, as may be appropriate now or in the future.

18 6. Denise Ruggiers, who holds the office of
19 VP- Research Policy of Farmers Insurance Exchange, is authorized to enter
20 Regulatory Counsel into this Order for them and on their behalf.

21
22 **FARMERS INSURANCE EXCHANGE**

23
24
25 5-23-11

Date

By 

1 COPY of the foregoing mailed/delivered
2 this 1st day of June , 2011, to:

- 3 Gerrie Marks
4 Deputy Director
- 5 Mary Butterfield
6 Assistant Director
7 Consumer Affairs Division
- 8 Helene I. Tomme
9 Market Examinations Supervisor
10 Market Oversight Division
- 11 Dean Ehler
12 Assistant Director
13 Property and Casualty Division
- 14 Steve Ferguson
15 Assistant Director
16 Financial Affairs Division
- 17 David Lee
18 Chief Financial Examiner
- 19 Alexandra Shafer
20 Assistant Director
21 Life and Health Division
- 22 Chuck Gregory
23 Special Agent Supervisor
24 Investigations Division

25 DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210
Phoenix, AZ 85018

Burt H. Garavaglia
Assistant Vice President – Regulatory Affairs
Farmers Group, Inc.
4680 Wilshire Blvd., 2nd Floor
Los Angeles, CA 90010

Maidene Pedreira

EXHIBIT A

Fraud Warning Statement. The Company failed to include the Fraud Warning Statement, in at least twelve-point type, on 2 claim forms, an apparent violation of A.R.S. § 20-466.03.

Forms without a compliant Fraud Warning Statement

- Hotel Assistance Agreement
- Building Loss Report