

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 20, 2012

CLERK'S OFFICE

2012 MAR 20 P 2: 29

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

INVESTMENT CONTROL

v.

CASE NO. INS-2012-00027

FARMERS INSURANCE EXCHANGE
and
MID-CENTURY INSURANCE COMPANY,

Defendants

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance, it is alleged that the Defendants, duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia, violated § 38.2-305 A of the Code of Virginia ("Code") by failing to provide the information required by statute in insurance policies; violated § 38.2-502 of the Code by misrepresenting the benefits, advantages, conditions or terms of policies; violated §§ 38.2-1906 A and 38.2-1906 D of the Code by making or issuing insurance contracts or policies not in accordance with the rate and supplementary rate information filings in effect for the Defendants; violated § 38.2-2234 B of the Code by using credit information from a consumer report for tier placement or rating renewal policies of motor vehicle insurance issued in the Commonwealth of Virginia without updating the credit information at least once every three (3) years; violated §§ 38.2-304 and 38.2-2112 A of the Code by using a binder in excess of sixty (60) days; violated §§ 38.2-2113 A, 38.2-2113 C, 38.2-2114 A, 38.2-2114 B, 38.2-2114 C, 38.2-2114 E, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, and 38.2-2212 F of the Code by failing to properly terminate insurance policies; violated § 38.2-317 A of the Code by delivering or issuing for delivery insurance policies or

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endorsements without having filed such policy forms or endorsements with the Commission at least thirty (30) days prior to their effective date; violated § 38.2-2223 of the Code by using broadenings of standard forms without obtaining approval prior to use; violated §§ 38.2-517 A 3, 38.2-610 A, 38.2-1905 A, 38.2-2118, 38.2-2126 A, 38.2-2210 A, and 38.2-2234 A of the Code by failing to include accurate information in its notices; violated § 38.2-1318 C of the Code by failing to provide the Bureau of Insurance with convenient access to the Defendants' files, documents, and records; violated § 38.2-511 of the Code by failing to maintain a complete complaint register; and violated §§ 38.2-510 A 1 and 38.2-510 A 10 of the Code, as well as Rules 14 VAC 5-400-30, 14 VAC 5-400-50 C, 14 VAC 5-400-70 D, and 14 VAC 5-400-80 D, *Rules Governing Unfair Claim Settlement Practices*, by failing to properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code of Virginia to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke the Defendants' licenses upon a finding by the Commission, after notice and opportunity to be heard, that the Defendants have committed the aforesaid alleged violations.

The Defendants have been advised of their right to a hearing in this matter, whereupon the Defendants, without admitting any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have tendered to the Commonwealth of Virginia the sum of One Hundred Seventy-four Thousand Two Hundred Dollars (\$174,200), waived their right to a hearing, confirmed that restitution was made to ten thousand one hundred ninety (10,190) consumers in the amount of Three Hundred Eighty Thousand Nine Hundred Thirty Dollars and Six Cents (\$380,930.06), and agreed to comply with the Corrective Action Plan set forth in their letter to the Bureau of Insurance dated December 2, 2011.

The Bureau of Insurance has recommended that the Commission accept the offer of settlement of the Defendants pursuant to the authority granted the Commission in § 12.1-15 of the Code of Virginia.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Bureau of Insurance, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

- (1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted; and
- (2) The papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Burt Garavaglia, Assistant Vice President, Regulatory Affairs, Government & Industry Affairs, Farmers Group, Inc., 4680 Wilshire Boulevard, Los Angeles, California 90010; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Mary M. Bannister.