

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 9, 2003

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2003-00130

FARMERS INSURANCE EXCHANGE

and

MID-CENTURY INSURANCE COMPANY,

Defendants

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DOCUMENT CONTROL

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance, it appears that Defendants, each of which is duly licensed by the Commission to transact the business of insurance in the Commonwealth of Virginia, violated the Code of Virginia and the Virginia Administrative Code as follows:

Farmers Insurance Exchange violated §§ 38.2-305, 38.2-510 A 10, 38.2-604.1, 38.2-610, 38.2-1812, 38.2-1822, 38.2-1833, 38.2-1905 A, 38.2-1906 D, 38.2-2113, 38.2-2114, 38.2-2120, 38.2-2202, 38.2-2206 A, 38.2-2208, 38.2-2210, 38.2-2212, 38.2-2223, and 38.2-2230 of the Code of Virginia, as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, and 14 VAC 5-400-70 D; and Mid-Century Insurance Company violated §§ 38.2-304, 38.2-305, 38.2-510 A 10, 38.2-510 C, 38.2-604.1, 38.2-610, 38.2-1822, 38.2-1905 A, 38.2-1906 D, 38.2-2014, 38.2-2202, 38.2-2206 A, 38.2-2208, 38.2-2210, 38.2-2212, 38.2-2220, 38.2-2223, and 38.2-2230 of the Code of

Virginia, as well as 14 VAC 5-400-30, 14 VAC 5-400 40 A, and 14 VAC 5-400-70 D.

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 Defendants' licenses upon a finding by the Commission, after notice and opportunity to be heard, that Defendants have committed the aforesaid alleged violations.

Defendants have been advised of their right to a hearing in this matter, whereupon Defendants, without admitting any violation of Virginia law, have made an offer of settlement to the Commission wherein Defendants have tendered to the Commonwealth of Virginia the sum of forty-two thousand dollars (\$42,000), waived their right to a hearing, and agreed to the entry by the Commission of a cease and desist order.

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

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

IT IS THEREFORE ORDERED THAT:

(1) The offer of Defendants in settlement of the matter set forth herein be, and it is hereby, accepted;

(2) Farmers Insurance Exchange cease and desist from any conduct which constitutes a violation of §§ 38.2-305, 38.2-510 A 10, 38.2-604.1, 38.2-610, 38.2-1812, 38.2-1822, 38.2-1833, 38.2-1905 A, 38.2-1906 D, 38.2-2113, 38.2-2114, 38.2-2120, 38.2-2202, 38.2-2206 A, 38.2-2208, 38.2-2210, 38.2-2212, 38.2-2223, or 38.2-2230 of the Code of Virginia, or 14 VAC 5-400-30, 14 VAC 5-400-40 A, or 14 VAC 5-400-70 D; and Mid-Century Insurance Company cease and desist from any conduct which constitutes a violation of §§ 38.2-304, 38.2-305, 38.2-510 A 10, 38.2-510 C, 38.2-604.1, 38.2-610, 38.2-1822, 38.2-1905 A, 38.2-1906 D, 38.2-2014, 38.2-2202, 38.2-2206 A, 38.2-2208, 38.2-2210, 38.2-2212, 38.2-2220, 38.2-2223, or 38.2-2230 of the Code of Virginia, or 14 VAC 5-400-30, 14 VAC 5-400 40 A, or 14 VAC 5-400-70 D; and

(3) The papers herein be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to Bennett L. Katz, Assistant Vice President, Regulatory Affairs & Compliance, Chief Compliance Officer, Farmers Insurance Companies, 4680 Wilshire Boulevard, Los Angeles, California 90010; and the Bureau of Insurance in care of Deputy Commissioner Mary M. Bannister.