



Department of Consumer
and Business Services

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

MARKET CONDUCT EXAMINATION REPORT

OF:

**FARMERS INSURANCE COMPANY OF OREGON
TIGARD, OREGON**

**NAIC COMPANY CODE 21636
GROUP CODE 69**

AS OF: December 7 , 2022

EXAMINATION PERIOD: AUGUST 1, 2020 THROUGH JANUARY 31, 2022



TABLE OF CONTENTS

SALUTATION	3
FOREWORD	4
SCOPE OF EXAMINATION	4
EXECUTIVE SUMMARY	5
EXAM FINDINGS.....	6
ADDITIONAL FINDINGS.....	9
CONCLUSIONS.....	10
ACKNOWLEDGEMENT.....	12
AFFIDAVIT.....	13
APPENDIX A... ..	14
<i>Bulletin DFR 2020-20 ZIP codes</i>	<i>.....</i>
APPENDIX B.....	14
<i>Underwriting - Forms.....</i>	<i>.....</i>



Andrew Stolfi, Director
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter Street, NE
P.O. Box 14480
Salem, OR 97309-0405

Dear Director Stolfi:

In accordance with your instructions and pursuant to ORS 731.300, a targeted market conduct examination has been performed for:

Farmers Insurance Company of Oregon

Tigard, Oregon

NAIC Company Code 21636

Group Code 69

NAIC Exam Tracking System Exam Number OR-EMANUELS-1

Hereinafter referred to as the "Company." The following report of examination is respectfully submitted.



FOREWORD

The examination report does not present a comprehensive overview of the insurer's practices. The examination report provides details regarding the market conduct standards selected for the scope of the examination. All unacceptable or noncompliant activities may not have been discovered. Failure to identify, comment upon, or criticize noncompliant practices does not constitute acceptance of such practices. This targeted market conduct examination report reflects the Oregon insurance activities of Farmers Insurance Company of Oregon. The targeted market conduct examination findings are being stated in a report by test format. The materials reviewed during the market conduct examination, as reference to any practices, procedures, product forms including filings, and data files are contained in this examination report.

SCOPE OF EXAMINATION

This targeted market conduct examination was performed remotely via desk examination and was conducted as of December 7, 2022, covering the period of August 1, 2020 through January 31, 2022. The examination of the Company was conducted pursuant to Oregon Revised Statute (ORS) 731.300 and in accordance with procedures and guidelines established by the Division of Financial Regulation's Property and Casualty Market Conduct Program. The program generally follows the Market Conduct Examination Handbook as adopted by the National Association of Insurance Commissioners (NAIC) to the extent that it is consistent with Oregon law. The purpose was to determine the Company's compliance with the Wildfire Emergency Order issued by the DCBS director dated September 18, 2020, Bulletin DFR 2020-20, and ORS 742.470 as required by House Bill (HB) 3272. See Appendix A for zip codes in Bulletin DFR 2020-20. The Company's underlying data and materials were measured against established standards. A list of all standards considered can be found in Appendix B at the end

of this report. In this report, standards with 100 % compliance are identified as passed without comment. Exceptions include standards with less than 100 % compliance that either warranted a recommendation or where errors were noted but a recommendation was not made. If the examiner notes a material finding not included in the established standards, it is noted under the additional findings section.

EXECUTIVE SUMMARY

The targeted market conduct examination focused on the Company's homeowners' business in the following areas of operation: Underwriting and Rating and Forms.

The Company passed standard #1 without comment. The examiner did not find the Company increased any policy premiums solely due to a claim made during the wildfire event.

The Company did not pass standards #5 or standard #6. As of the end of this examination, December 7, 2022, the Company's product filings related to ORS 742.270 as a result of the codification of HB3272 were not approved by the division, nor were the policy forms provided to their homeowner policyholders. Further, the Company sent letters to homeowner policyholders that included incomplete benefit claim related information as it related to ORS 742.270.

The Company passed standard #8 with a comment. The examiner found one policy wherein the homeowner policyholder initially was advised of a non-renewal on August 12, 2020. This date was twenty two days before the Wildfire Emergency Order effective date of September 18, 2020. The reinstatement and offer of renewal notice was sent on until October 14, 2020. While the Company reinstated this policy without a lapse of coverage, October 14, 2020 is two days past the effective renewal date of October 12, 2020 for this homeowner policy and does comply with the Wildfire Emergency Order Section 16b.



EXAMINATION FINDINGS

If applicable, examination findings comprise the basic body of the report including – sample sizing, error percentage, alleged violations, and documentation pertaining to pertinent regulations or statutes. Areas of review may include forms, marketing and sales, producer licensing, rating of policies, underwriting, rescinded policies, canceled or nonrenewed policies, claims paid or denied, and complaints. The standards under examination were:

Standard #1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity’s rating plan. Reference: ORS 737.007 to 737.560. The Company provided and the examiners reviewed data requested regarding all homeowners’ policies from August 1, 2020 to January 31, 2022. The examiners verified:

- There were 58,910 homeowner policies statewide, 7,751 homeowner policies or 13.15 % were in the zip codes identified in Bulletin DFR2020-20.
- Out of 58,910 statewide homeowner policies, there were 2,798 total claims made or 4.74 % during the examination period of August 1, 2020 through January 31, 2022.
- Out of the 2,798 statewide claims during the examination period, 433 or 15.47 % were related to the wildfire event.
- Out of the 433 statewide claims related to the wildfire event, 369 claims or 85.21 % were within the zip codes outlined in the Bulletin DFR 2020-20.

The examiner reviewed requested data from the Company outlining their rates, discounts, and surcharges and how they are applied to policies at renewals. The examiner confirmed the Company does not have a separate peril classification related to wildfires. Any claim associated with the wildfire event was classified as a fire or smoke peril. The Company passed this standard without comment as no premiums were increased, surcharges were applied or discounts removed



solely due to a claim related to the wildfire event for the examination period of August 1, 2020 through January 31, 2022.

Standard #5 All forms, including policies, contracts, riders, amendments, endorsement forms, and certificates are filed with the insurance department, if applicable. Reference: ORS 746.005 to 746.270; and OAR 836-080-0235. The Company provided a list which included SERFF filing numbers and policy forms as a result of the codification of HB 3272 in ORS 742.270. The examiner verified:

- On November 8, 2021, the division issued bulletin DFR 2021-5 to clarify its expectations for property and casualty insurers, and provided guidance on expediting claims handling for Oregon policyholders affected by wildfires.
- On November 10, 2021, the division held an industry communications meeting. In said meeting, the division informed of the upcoming data call regarding filing changes as a result of the passage of HB 3272 and the upcoming Market Conduct Examinations.
- On November 15, 2021, the division issued the data call regarding HB 3272 filing changes. The response was due and Farmers responded on December 6, 2021. Farmers indicated they had not yet updated the filings to comply with HB 3272, but expected they will have submitted the filing in SERFF by January 21, 2022. The company did not file by January 21, 2022.
- SERFF #FARM133219622 was filed on April 8, 2022. Farmers withdrew this filing on May 11, 2022 indicating the following as a reason: “would like to withdraw this filing so that we can make additional revisions to comply with the Division’s recent bulletin DFR2021-4, and submit a single comprehensive filing”. The withdrawal was processed by the division on May 12, 2022.
- SERFF #FARM 133288248 was filed on June 6, 2022, which included both HB3272 and bulletin DFR2021-4 updates.
- The division sent the Company objections to SERFF #FARM133288248 on July 1, 2022, August 18, 2022, September 28, 2022, October 12, 2022, November 3, 2022 and November 22, 2022.

The Company provided the reason for their withdrawal of SERFF# FARM133219622 as HB 3272 coincided with bulletin DFR 2021-4. The Company states the required changes impacted multiple lines and forms and they elected to withdraw the filing to update their filings to comply

with the newest bulletin requirements.

The Company did not pass this standard as the Company filed policy contract forms were not approved by the state as consistent with HB 3272 as of December 7, 2022, the end of this examination. The Company elected to withdrawal SERFF #FARM133219622 and resubmit a filing later to include bulletin DFR 2021-4 under SERFF #FARM133288248. The Divisions objections were not all associated with the HB3272 portion of the filing, but the Division does not approve a partial filing.


Standard #6 Policies, contracts, riders, amendments and endorsements are issued or renewed accurately, timely, and completely. Reference: ORS 84.070; ORS 742.560 to 743.572; and OAR 836-085-0010 to 836-085-0045. The examiner verified:

- Policyholders were not sent updated policy forms by the end of this examination on December 7, 2022.
- The sample letter provided advised of the homeowner policyholder of the additional ALE (Additional Living Expense) timeline, but does not advise of the additional LOR (Loss of Rent) timeline for rebuilding. The letter provided incorrect information regarding the timeline for rebuilding.

The Company did not pass this standard as updated policy forms were not yet approved as of the end of this examination on December 7, 2022 and as such were not sent to policyholders. While the Company notified homeowner policyholders with claims of additional timelines for some coverages if the governor declares a state of emergency as per ORS401.165, the Company did not advise the homeowner policyholders of all additional timeline benefits.

Standard #8 Cancellation/nonrenewal, discontinuance, and declination notices comply with policy and contract provisions, state laws, and the regulated entity's guidelines. Reference: ORS 84.070; ORS 746.005 to 746.270; OAR 836-080-0235; and OAR 836-085-0010 to 836-085-0045. The Company provided and the examiner reviewed data requested regarding all homeowners' policies from August 1, 2020 to January 31, 2022. The examiner verified:

- There were 58,910 homeowner policies statewide, 7,751 homeowner policies or 13.15 % were in the zip codes identified in bulletin DFR2020-20.

- 
- Out of the 58,910 statewide homeowner policies, 15,029 policies or 25.51% had at least one cancellation or nonrenewed event during the examination period of August 1, 2020 through January 31, 2022.
 - Out of the 15,029 cancellation or non-renewed events on statewide homeowner policies, 1,838 of the homeowner policies or 12.22 % were in the bulletin DFR 2020-20 zip codes.
 - Out of the 1,838 of the homeowner policies, 1 or 0.05 % policies were canceled by the Company during the Wildfire Emergency Order effective dates of September 18, 2020 to November 16, 2020.
 - The one homeowner policy canceled by the Company in the bulletin DFR 2020-20 zip codes had a claim related to the wildfire event.

The homeowner policyholder was notified of the cancellation/non-renewal on August 12, 2020, twenty-two days before the Wildfire Emergency Order became effective on September 18, 2020.

Section 16b of the Wildfire Emergency Order indicates insurers must take immediate action.

Wildfire Emergency Order excerpt:

“16. Insurers must immediately take the following actions regarding cancellations and nonrenewals for all active insurance policies issued, delivered, or covering a risk in the Affected Areas subject to this order:

b. For insurance policies not yet canceled or nonrenewed as of the date of this Order, but for which a notice of cancellation or nonrenewal has been delivered after the applicable date referenced in the Bulletin listing the Affected Areas, insurers must withdraw the issued notice and provide insureds with a notice that cancellation and nonrenewal is suspended until this Order is no longer in effect.”

The Company passed this standard with a comment as the Notices of Suspension were not issued immediately as per Section 16b of the Wildfire Emergency Order. The affected homeowner policyholder was notified on August 12, 2020 their policy would not be renewed and were not notified until October 14, 2020 their policy would be renewed with a notice of reinstatement and offer to renewal. The October 14, 2020 notice is two days after the homeowner was previously told their policy would be cancelled.

ADDITIONAL FINDINGS

The examiners noted no additional findings.



CONCLUSIONS

The Company passed standard #1 without comment. The examiner did not find the Company increased any policy premiums solely due to a claim made during the wildfire event. The Company did not pass standard #5 and standard #6. As of the end of this exam, December 7, 2022, the Company's product filings related to ORS 742.270 as a result of the codification of HB3272 have not been approved by the division, nor have policy forms been provided to their policyholders. HB 3272 and Bulletin DFR 2021-05 are related to additional benefits related to a declared emergency as per ORS 401.165. Bulletin DFR2021-4 is related to guidance on exclusionary language regarding controlled substances. Bulletin DFR 2021-05 and Bulletin DFR 2021-4 are not related to each other. The filing related to ORS742.270 and compliance with HB 3272 should not have been delayed because a new unrelated Bulletin also became effective. Further, the Company provided letters to homeowner policyholders with claims, partially correct information of their expanded benefit timelines as it related to the codification of HB 3272.

The Company passed standard #8 with comment. The examiner found one policy where the policyholder was initially advised of on non-renewal August 12, 2020 , twenty two days before the Wildfire Emergency Order effective date of September 18, 2020, but did not send a reinstatement and offer of renewal notice until October 14, 2020. While the Company reinstated this policy without a lapse in coverage, October 14, 2020 was two days past the effective renewal dates of October 12, 2020. The Company did not comply with the Wildfire Emergency Order Section 16b by taking immediate action to notify the insured rescinding the notification as per the order.

Wildfire Emergency Order excerpt:

“16. Insurers must immediately take the following actions regarding cancellations and non-renewals for all active insurance policies issued, delivered, or covering a risk in the Affected

Areas subject to this order:

b. For insurance policies not yet canceled or nonrenewed as of the date of this Order, but for which a notice of cancellation or nonrenewal has been delivered after the applicable date referenced in the Bulletin listing the Affected Areas, insurers must withdraw the issued notice and provide insureds with a notice that cancellation and nonrenewal is suspended until this Order is no longer in effect.”



ACKNOWLEDGMENT

The cooperation and assistance rendered by the officers and employees of the Company during this examination is acknowledged and appreciated. A special thanks is extended to the examination coordinator for her courtesy and assistance providing, correlating, or coordinating all requested documents to ensure a smooth transition during the overall examination process. The responsibilities undertaken during this examination were in addition to the scope of her regular assigned duties. In addition to the undersigned, Sandra Emanuel participated in this examination.

Respectfully submitted,

Brian J. Fordham 3/29/2023

Brian J. Fordham, MCM
Property and Casualty & Business Analytics Program Manager
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon

State of Oregon)
)
County of Marion)

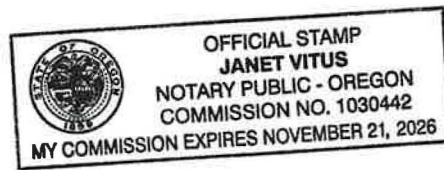
I, Janet Vitus, Notary Public, do hereby certify that Brian Fordham personally appeared before me this day and acknowledged the forgoing instrument(s).

Witness my hand and official seal this 29th day of March, 2023.

Signature of Notary

Janet Vitus
Janet Vitus

Notary Printed Name
My Commission Expires: Nov 21, 2026



AFFIDAVIT

The examination was conducted in accordance with the Oregon Department of Consumer and Business Services, Division of Financial Regulation and the National Association of Insurance Commissioners Market Conduct Examination procedures.

In addition to the undersigned, Sandra Emanuel, participated in this examination and the preparation of this report.

Sandra Emanuel

3.29.23

Sandra J. Emanuel
Insurance Examiner
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon

State of Oregon)
)
County of Marion)

I, Janet Vitus, Notary Public, do hereby certify that Sandra Emanuel personally appeared before me this day and acknowledged the forgoing instrument(s).

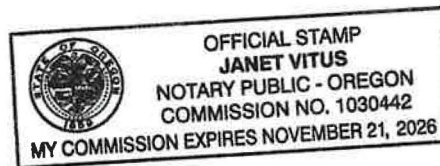
Witness my hand and official seal this 29th day of March, 2023.

Signature of Notary

Janet Vitus
Janet Vitus

Notary Printed Name

My Commission Expires: Nov 21, 2026





**DIVISION OF FINANCIAL REGULATION
MARKET CONDUCT EXAMINATION**

**Farmers Insurance Company of Oregon
NAIC Code 21636
Group 69**

APPENDIX A

Bulletin DFR 2020-20 ZIP codes

97004, 97009, 97011, 97017, 97022, 97023, 97028, 97037, 97038, 97042, 97045, 97055, 97067, 97123, 97132, 97140, 97339, 97358, 97375, 97342, 97350, 97523, 97538, 97636, 97327, 97739, 97346, 97360, 97368, 97374, 97381, 97383, 97384, 97385, 97386, 97413, 97438, 97443, 97446, 97447, 97454, 97470, 97478, 97479, 97488, 97489, 97494, 97501, 97504, 97520, 97522, 97524, 97534, 97535, 97536, 97539, 97540, 97541, 97543, 97544, 97604, 97730, 97731, 97733, 97737, 97759, 97761

APPENDIX B

Underwriting – Forms

#	Standard	Regulatory Authority
1	The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity’s rating plan.	ORS 737.007 to 737.560
5	All forms, including policies, contracts, riders, amendments, endorsement forms, and certificates are filed with the insurance department, if applicable.	ORS 746.005 to 746.270; and OAR 836-080-0235
6	Policies, contracts, riders, amendments and endorsements are issued or renewed accurately, timely and completely.	ORS 84.070; ORS 742.560 to 743.572; and OAR 836-085-0010 to 836-085-0045
8	Cancellation/nonrenewal, discontinuance and declination notices comply with policy and contract provisions, state laws and the regulated entity’s guidelines.	ORS 84.070; ORS 746.005 to 746.270; OAR 836-080-0235; and OAR 836-085-0010 to 836-085-0045