



Oregon
Tina Kotek, Governor



March 29, 2022

Sent Via Certified Mail and Electronic means to:

victoria.mccarthy@farmersinsurance.com; alicia.brown@farmersinsurance.com;
kristina.ceja@farmersinsurance.com

Certified Mail No : 7018 1830 0000 6869 3990

Farmers Insurance Company of Oregon

Attn: Alicia Brown and Kristina Ceja

6600 SW Hampton Drive

Tigard, OR 97223

Re: Targeted Market Conduct Examination Report
Farmers Insurance Company of Oregon, NAIC Co Code 21636

Dear Ms. Brown and Ms. Ceja,

Please find Farmers Insurance Company of Oregon's (Farmers) market conduct examination report for your review. The division's examination team and the insurer examination staff attended a closing conference on February 16, 2023 to discuss Farmers concerns regarding the report draft. Farmers Coordinator responded to the report to the examination team on February 16, 2023 and March 27, 2023.

Farmers response noted no disagreements with the Division regarding standards #1 and #8. Standard #1 passed without a comment and Standard #8 passed with a comment.

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.

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 836-085-004, Wildfire Emergency Order 09.18.2020, Bulletin DFR 2020-20

Farmers response indicates their disagreement with the divisions finding they did not pass Standard #5.

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, ORS 742.003

Farmers response is:

On February 16, 2023

"The Company is not aware of any form filing requirements as part of HB 3272 or the other

referenced Statutes or Regulations. Despite there being no requirements set forth, the Company proactively initiated a policy form update, and the Company's position is that it did so in a timely and efficient manner.

The Company's proactive June filings for the State of Emergency Amendatory Endorsements were initially marked as approved in SERFF on July 1, 2022, which was timely and in line with other carriers' filings and approvals. However, the Department then expressly removed that "approval" to focus on concerns they had with language unrelated to HB 3272, and on forms other than the State of Emergency Amendatory Endorsements.

The initial filing was submitted to the state on April 8, 2022. A new bill was introduced that impacted half of the forms that had been submitted with the filing. Instead of obtaining approval on the forms that would require immediate updates, the Company withdrew the filing on May 11, 2022. The impacted forms from both bills were compiled and submitted on June 6, 2022. The forms were noted as "approved" on July 1, 2022, but later updated to "blank" by the reviewer, with the reviewer explaining that they were actually not approved.

The objections following the initial July 1 approval date were largely unrelated to the State of Emergency Amendatory Endorsements. Rather, the objections related to previously filed and approved language. The objections dated September 28, October 21, November 3, and November 28 of 2022 were unrelated to the Emergency Order and HB 3272. The complete filing was approved on December 12, 2022. As this exam relates solely to the implementation of HB 3272, it should rely on the initial July 1, 2022, approval date and conclude that the Company was timely."

On March 27, 2023

"The Company continues to respectfully disagree with the examiners' findings. The Company has reviewed the additional details provided by the examiners in reference to bulletin DFR 2021-5, the November 10, 2021, industry communications meeting, and the data call regarding HB 3272 filing changes. The Company's position remains that there were no forms filing requirements set forth as part of HB 3272 or the other referenced Statutes, Regulations, or data call.

While the Company understands that HB 3272 and DFR 2021-4 were not related in content, both initiatives impacted half of the same forms included in the April 2022 filing submission. As the Company was not aware of any specific filing requirements, the decision to withdraw the submission to update the forms in their entirety to incorporate all changes from HB 3272 and DFR 2021-4 was appropriate."

Timeline per the Division:

- 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 HB3272 and the upcoming Market Conduct Examinations.
- On November 15, 2021, the Division issued the data call regarding HB3272 filing changes. The response was due and Farmers responded on December 06, 2021. Farmers indicated they had not yet updated the filings to comply with HB3272, but

expected to 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 DFR2022-2, and submit a single comprehensive filing”*. The withdrawal was processed by the Division on May 12, 2022.
- SERFF #FARM 133288248 was filed on June 06, 2022, which included both HB3272 and bulletin DFR 2021-4 updates.
- The Division sent Farmers objections to SERFF #FARM133288248 on July 1, August 18, September 28, October 12, November 3, and November 22, 2022.
- SERFF #FARM133288248 filing was approved on December 12, 2022.

The Company elected to withdrawal SERF #FARM133219622 and resubmit a filing later to include bulletin DFR 2021-4 under SERF #FARM133288248. The Divisions objections were not all associated with the HB3272 portion of the filing however, the Product Regulation Form Analyst does not approve a partial filing.

As of the beginning of the Market Conduct Examination on October 24, 2022 thru the exam completion date of December 7, 2022, Farmers had not received a disposition of approval of the required forms outlining the benefits that Oregon policyholders have should there be a declaration of emergency as per ORS 401.165. The SERFF #FARM133288248 filing was approved on December 12, 2022. Thus, Farmers is non-compliant with ORS 742.270.

Regarding Standard #6 Farmers disagrees with the Division finding they were not in compliance.

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; OAR 836-085-0010 to 836-085-0045 and ORS 742.003.

Farmers response is:

On February 16, 2023

“Please see the Company’s response to Standard #5 regarding the updated policy forms.

In response to OR DFR 2022-3 (August 2022), policyholders that had an active wildfire claim with an open reserve were issued a letter advising of the additional timeline to rebuild and/or replace their personal property. The Company regrets that this information was omitted from our previous response. Attached is a sample of the letter sent to policyholders that advises of the additional timeline for rebuilding. “

On March 27, 2023

“The Company continues to respectfully disagree with the examiners’ findings. Per the data call regarding HB 3272 filing changes dated November 15, 2021, the General Information section states: “At this time, DFR is not directing or requiring any specific communication with policyholders.” The

Company's position remains that there were no forms filing requirements set forth as part of HB 3272 or the other referenced Statutes, Regulations, or data call. Customers who were impacted by the wildfires were provided the appropriate extended benefits as part of the claims handling process".

As of the beginning of the Market Conduct Examination on October 24, 2022, thru the exam completion date of December 7, 2022, as forms were not approved, Oregon consumers were not provided with adequate notices of the additional benefits outlined in ORS 742.270. Additionally, consumers were consistently provided information as to their benefits per the codification of HB3272.

The Company provided a sample letter sent to homeowner policyholders of the additional ALE (Additional Living Expense) timeline, but did not advise of the additional LOR (Loss of Rent) timeline for rebuilding. The letter provided incorrect information regarding the timeline for rebuilding.

A SERFF form filing cannot be partially approved by Product Regulation Forms Analyst. The SERFF form is approved after all objections by the Analyst are addressed to their satisfaction. In accordance with ORS 742.003, the Analyst updates SERFF to reflect a disposition of approval and the updated forms can be provided to the policyholders. .

Insurer report response

Insurers that disagree with findings, conclusions, and recommendations in the report the insurer can request a hearing with Director Stolfi under ORS 731.312(3). Insurers that would like to request a hearing with the Director can email dfr.pcmarketconduct@dcbs.oregon.gov. Hearing requests must be received *before* the expiration of the 30 day report consideration period. The hearing with the Director is not a contested case hearing.

Safeguarding draft reports and documentation

The draft examination reports are subject to further review and revision and are not to be considered final. Early disclosure could result in the dissemination of erroneous information or recommendations. The insurer should limit and control the distribution of draft reports. In addition, except for the final draft, draft reports and exam documentation are not subject to public records requests.

The public report

The written public report is generally the best vehicle for communicating the results of each exam. The division will provide the insurer with the expected date for releasing the final exam report and publishing it to the division's website.

Legislative testimony

Legislative committees may request that the division prepare testimony and appear at hearings. When the division testifies about a publicly released report or management letter, the testimony will be fact-based and the conclusions and recommendations will mirror those in the written report.

Recommendation follow-up

The division's recommendations are intended to improve the economy, efficiency, and effectiveness of an insurer's operations and to improve the accountability of insurers providing benefits to Oregonians. We will monitor and may report on an insurer's progress in implementing recommendations. The division will follow up on recommendations as part of recurring examination work or as an activity separate from any other examination activity. When following up on recommendations, we ask the insurer to provide evidence of implementation. Division staff will then assess the evidence and make an independent judgment call as to the status of recommendation implementation.

Press policy

The Division may issue a press release highlighting results of insurer examination reports. We are still discussing the timing of any press release on the individual report. Press questions will be handled with the DCBS Communications Office with assistance from examination staff.



Brian J. Fordham
Property and Casualty Program Manager, Division of Financial Regulation
Oregon Dept. of Consumer & Business Services
Ph. 503-947-7205

