STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION

In the Matter of **Farmers Insurance Company of Oregon**	)	**STIPULATION** and
	)	**FINAL ORDER**
	)	Case No. INS 03-08-018

STIPULATION

The Director of the Oregon Department of Consumer and Business Services (director) commenced this administrative proceeding, pursuant to Oregon Revised Statutes (ORS) 731.256, to take enforcement action against Farmers Insurance Company of Oregon (Farmers) as a result of a market conduct examination of Farmers by the Insurance Division.

Farmers enters into this stipulation, pursuant to ORS 183.415(5), to conclude this proceeding without further administrative or judicial proceedings.

Farmers waives all rights relative to an administrative hearing and judicial review thereof.

Farmers stipulates to the following facts, conclusions, and action, and consents to issuance of a final order incorporating this stipulation.

Facts and Conclusions

Licensing Information

Farmers has been licensed in Oregon as a domestic insurer since 9/15/70. Farmers' last recorded principal business address is located in Tigard, Oregon.

Market Conduct Examinations

The Insurance Division conducted a standard market conduct examination of Farmers as of 6/30/98 to determine whether Farmers was generally complying with the Oregon Insurance Code and related administrative rules relating to complaint handling, claims handling, and underwriting. The Insurance Division found that Farmers had not complied with eight provisions of the Insurance Code and related rules and recommended that Farmers comply with such laws. Subsequently, the Insurance Division conducted a follow up market conduct examination of Farmers

as of 12/31/01 to determine whether Farmers had complied with the recommendations from the prior examination. On 9/16/03, the Insurance Division filed a final report of the follow up examination, which is incorporated herein by this reference. In the report, the Insurance Division found that Farmers had not complied with two of the eight recommendations from the prior examination including the recommendation relating to ORS 742.502(2) (2001). The Insurance Division found that Farmers violated ORS 742.502(2) (2001) in 29 instances by engaging in the following conduct. ORS 742.502(2) (2001) prohibited an insurer from issuing an automobile liability insurance policy with uninsured motorist coverage limits that were lower than the bodily injury liability coverage limits unless the insurer obtained from a named insured, at the time of the election, a written statement, approved as to form by the director and signed and dated by the insured, electing the lower limits. In 29 out of a sample of 50 files, the Insurance Division found that Farmers did not have a signed written statement, had a signed written statement but it was completed after the insured elected lower limits, the statement was incomplete, the statement did not apply to the policy issued to the insured, or some combination thereof. See final examination report, recommendation 1, pp.7-8.

Action

Pursuant to ORS 731.988, Farmers shall be assessed a civil penalty of $10,000. However, the civil penalty is suspended, and shall be either withdrawn or reinstated upon the following conditions.

The Insurance Division shall conduct another follow up market conduct examination to determine whether Farmers complied with the recommendations from the prior examination, especially the recommendation relating to ORS 742.502(2), from the date of the final order to the date of examination. If the Insurance Division finds that Farmers complied with ORS 742.502(2) during the period examined, then the civil penalty shall be withdrawn without further action by the director. However, if the Insurance Division finds that Farmers did not comply with ORS 742.502(2) during the period examined, then the suspension of the

civil penalty shall be terminated and the civil penalty shall be reinstated without further action by the director. The payment of the reinstated civil penalty shall be made in the form of a check payable to the "Department of Consumer and Business Services" for the full amount due. The payment shall be delivered to the Insurance Division at 350 Winter Street NE, Room 440, Salem, OR 97301-3883, or mailed to the Insurance Division at PO Box 14480, Salem, OR 97309-0405. The payment shall be received by the Insurance Division by the 30th calendar day after the date the Farmers receives the final report of the follow up examination.

Dated June 20, 2005

/s/ Bennett L. Katz
[Signature of Representative]

Bennett L. Katz
[Printed Name of Representative]

AVP- Regulatory Affairs
[Printed Title of Representative]

Farmers Insurance Company of Oregon

FINAL ORDER

The director incorporates herein the above stipulation, adopts it as the director's final decision in this proceeding, and orders that the action stated therein be taken.

Dated July 5, 2005

/s/ Cory Streisinger
Cory Streisinger
Director
Department of Consumer and Business Services

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