

**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION**

In the Matter of **Farmers Insurance Company**) **STIPULATION** and
of **Oregon**) **FINAL ORDER**
) Case No. INS 06-04-029

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).

The director and Farmers believes it is in the public interest to resolve all matters and to conclude this proceeding without a hearing by entering into this stipulation pursuant to ORS 183.415(5).

Farmers waives all rights relative to an administrative hearing and judicial review thereof relative to the preliminary report of the market conduct examination and the civil penalty.

As a result of the market conduct examination, the director enters the following facts and conclusions, which are neither admitted nor denied by Farmers. Farmers stipulates to the following action and to the issuance of a final order incorporating this stipulation in order to settle the disputed contentions and to fully and completely resolve all of the issues that were the subject of the market conduct examination.

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.

Results of Market Conduct Examination of Farmers

The director, by and through the Insurance Division, conducted a market conduct examination of Farmers as of 12/31/04, pursuant to ORS 731.300 *et seq.*

The Insurance Division found that Farmers did not comply with the following Oregon insurance laws.

- Total loss settlements were not handled in accordance with policy provisions and applicable statutes and rules. For example, vehicles were used that were not comparable by body style, mileage and by garage location of the loss vehicle. The Insurance Division found during two previous market conduct examinations of Farmers in 1998 and 2001 that they did not comply with this same law.
- Farmers failed to provide the required notice to consumers that they may request a written statement describing the insurer's use of credit histories and insurance scores.
- Farmers failed to provide the required written statement describing the insurer's use of credit histories and insurance scores to a consumer who requests it.
- Farmers failed to provide the required information to a consumer when the insurer takes an adverse action against the consumer based in whole or in part upon a credit history or insurance score.
- Farmers failed to take the required action when a consumer disputes the accuracy or completeness of information in a consumer report and the dispute results in a change in the consumer's credit history or insurance score.
- Farmers failed to establish the required written policy regarding the use of credit histories and insurance scores in their rating or underwriting process.

The Insurance Division filed a preliminary report of the examination which is incorporated herein by this reference.

Action

Pursuant to ORS 731.312, the director may file the preliminary report of the examination of Farmers as the final report thereof. The response of Farmers will be attached to the final report.

Pursuant to ORS 731.988, Farmers is assessed a civil penalty of \$20,000. The payment 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 the Labor and Industries Building, 350 Winter Street NE, Room 440 (4th Floor), Salem, Oregon; 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 date of the final order.

Dated March 15, 2007

/s/ William Johanneson

[Signature of Representative]

William Johanneson

[Printed Name of Representative]

Assistant Vice President 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 April 3, 2007

/s/ Cory Streisinger

Cory Streisinger

Director

Department of Consumer and Business Services

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