

**BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF KANSAS**

<b>In the Matter of</b>	)	
<b>FARMERS INSURANCE</b>	)	<b>Docket No. 4799-CO</b>
<b>COMPANY, INC.</b>	)	
<b>NAIC #21628</b>	)	

**CONSENT AGREEMENT**

Pursuant to the authority conferred upon the Commissioner of Insurance in K.S.A. 40-222, Ken Selzer, CPA, the duly elected, qualified and serving Commissioner of Insurance hereby adopts the Kansas Insurance Department’s Report of Market Conduct Examination (“Exam”) of FARMERS Insurance Company, Inc. (“FARMERS”) as of December 31, 2014. The Exam is attached hereto, and by this reference, incorporated herein. This Consent Agreement shall become effective as a Final Order, when signed by the Commissioner or his designee and filed of record with the Kansas Insurance Department (“KID”).

**Findings of Fact**

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.
2. The Kansas Insurance Department (“KID”) completed a targeted market examination of FARMERS. The period of the examination was July 1, 2014 through December 31, 2014.
3. The Examiner-in-Charge provided FARMERS a draft of the Examination Report to which, on October 29, 2015, FARMERS responded.
4. The Kansas Commissioner of Insurance has since fully reviewed the Exam and FARMERS’ response.
5. The Market Conduct Examination Report created by KID is attached hereto.

6. The Company was rating policies in a manner inconsistent with the rates and rules on file with the Department.
7. The Company should amend their rate and rule filings with the Department to ensure they adequately reflect the Company's rating practices.
8. One policy was not rated in accordance to filed rates and rules as the FARMERS Specialty Policy discount was not applied as defined, in violation of K.S.A. 40-955(g). FARMERS reports 1,970 policies issued or renewed during the exam period which were affected by this rating error.
9. One policy in the sample was rated with an outdated rule regarding luxury vehicles, in violation of K.S.A. 40-955(g). FARMERS reports 1,209 policies were issued during the exam period.
10. One policy in the sample with a camper/trailer was incorrectly using a Rate Level Adjustment Factor that was not approved for the coverage, in violation of K.S.A. 40-955(g). FARMERS reports 2,854 policies issued or renewed during the exam period that were affected by this rating error.
11. FARMERS used an auto rating credit tier table that was not on file with KID, a violation of K.S.A. 40-955(a)(g). FARMERS reports 89,782 policies issued or renewed during the exam period that used the unfiled credit tier table. Some of these policies were charged different rates than what would have been charged with the filed table.
12. FARMERS neither admits nor denies the above Findings of Fact and waives their right to an administrative hearing and judicial review of the Commissioner's Order.

### Applicable Law

13. K.S.A. 40-222 provides, in pertinent parts:

(a) Whenever the commissioner of insurance deems it necessary but at least once every five years, the commissioner may make, or direct to be made, a financial examination of any insurance company in the process of organization, or applying for admission or doing business in this state. In addition, at the commissioner's discretion the commissioner may make, or direct to be made, a market regulation examination of any insurance company doing business in this state.

14. K.S.A. 40-955 states, in pertinent part:

(a) Every insurer shall file with the commissioner, except as to inland marine risks where general custom of the industry is not to use manual rates or rating plans, every manual of classifications, rules and rates, every rating plan, policy form and every modification of any of the foregoing which it proposes to use. Every such filing shall indicate the proposed effective date and the character and extent of the coverage contemplated and shall be accompanied by the information upon which the insurer supports the filings. A filing and any supporting information shall be open to public inspection after it is filed with the commissioner. An insurer may satisfy its obligations to make such filings by authorizing the commissioner to accept on its behalf the filings made by a licensed rating organization or another insurer. Nothing contained in this act shall be construed to require any insurer to become a member or subscriber of any rating organization.

(g) No insurer shall make or issue a contract or policy except in accordance with filings which have been filed or approved for such insurer as provided in this act.”

15. K.S.A. 40-2,125 states, in pertinent part:

(a) If the commissioner determines after notice and opportunity for a hearing that any person has engaged or is engaging in any act or practice constituting a violation of any provision of Kansas insurance statutes or any rule and regulation or order thereunder, the commissioner may in the exercise of discretion, order any one or more of the following:

(1) Payment of a monetary penalty of not more than \$1,000 for each and every act or violation, unless the person knew or reasonably should have known such person was in violation of the Kansas insurance statutes or any rule and regulation or order thereunder, in which case the penalty shall be not more than \$2,000 for each and every act or violation;

(3) that such person cease and desist from the unlawful act or practice and take such affirmative action as in the judgment of the commissioner will carry out the purposes of the violated or potentially violated provision.

**Conclusions of Law**

Based on the Findings of Fact enumerated in Paragraphs #1 through #12 and the applicable law cited above,

16. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.

17. The Kansas Insurance Department's (KID) Report of Market Conduct Examination of FARMERS INSURANCE COMPANY, INC. as of December 31, 2014 is herein adopted in its entirety.

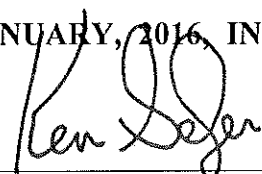
18. Based on Findings of Fact # 6 through #12, FARMERS has violated K.S.A. 40-955 (a),(g).

**IT IS, THEREFORE, ORDERED BY THE COMMISSIONER OF INSURANCE:**

Pursuant to K.S.A. 40-2,125(a)(1), FARMERS shall pay a monetary penalty of \$20,000 for violation of K.S.A. 40-955(a),(g) for issuing automobile policies at rates not approved by the Commissioner.

IT IS SO ORDERED THIS 8th DAY OF JANUARY, 2016, IN THE CITY OF TOPEKA, STATE OF KANSAS.





Ken Selzer, CPA  
Commissioner of Insurance  
By:

  
John Wine  
Assistant Commissioner

BY:

Victoria L. McCarthy  
Victoria McCarthy  
Head of Regulatory Strategy and Analytics

Vice President and Head of Regulatory  
Strategy and Analytics of Farmers  
Group, Inc, attorney in fact for  
Farmers Insurance Company, Inc.

**Certificate of Service**

The undersigned hereby certifies that he was served a true and correct copy of the above and foregoing **Consent Agreement** on this 11th day of January, 2016, by causing the same to be deposited in the U.S. Mail, postage prepaid, addressed to:

Victoria McCarthy  
Head of Regulatory Strategy and Analytics  
Farmers Insurance Company, Inc.  
17000 W 119<sup>th</sup> Street  
Olathe, KS 66061

John R. Dowell  
John Dowell  
Staff Attorney