

**IN THE DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION
STATE OF MISSOURI**

In Re:)
) **Market Conduct Investigation**
STATE FARM FIRE & CASUALTY) **Number 13111-25143-PC**
COMPANY (NAIC #0176-25143))

ORDER OF THE DIRECTOR

NOW, on this 2 day of March, 2015, Director John M. Huff, after consideration and review of the market conduct investigation of State Farm Fire & Casualty Company (NAIC #0176-25143) (hereafter referred to as “State Farm”) investigation number 13111-25143-PC, conducted by the Division of Insurance Market Regulation pursuant to §374.190¹ and the Stipulation of Settlement (“Stipulation”), does hereby issue the following orders:

This order, issued pursuant to §§374.046.15 and §374.280, RSMo (Cum. Supp. 2013) is in the public interest.

IT IS THEREFORE ORDERED that State Farm and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that State Farm shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place State Farm in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

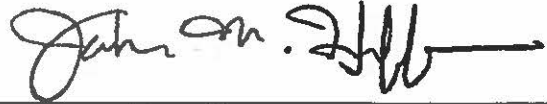
IT IS FURTHER ORDERED that State Farm shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2000, as amended.

Voluntary Forfeiture of \$85,750, payable to the Missouri State School Fund.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 2 day of March, 2015.



John M. Huff
Director



**IN THE DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION
STATE OF MISSOURI**

In Re:)	
)	
STATE FARM FIRE & CASUALTY)	Market Conduct Investigation
COMPANY (NAIC #0176-25143))	No. 13111-25143-PC
(NAIC #0408-28401))	
)	

STIPULATION OF SETTLEMENT

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division") and State Farm Fire & Casualty Company (NAIC #0176-25143) (hereinafter referred to as "State Farm"), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter, "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, State Farm has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Division conducted a Market Conduct Investigation of State Farm; and

WHEREAS, the Market Conduct Investigation revealed that:

1. In 343 instances, an audit was completed and billed more than 120 days from the expiration date of the policy in violation of § 287.955.1¹ and 20 CSR 500-6.500(2)(A).

WHEREAS, the Division and State Farm have agreed to resolve the issues raised in the Market Conduct Investigation as follows:

A. Scope of Agreement. This Stipulation of Settlement embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. Remedial Action. State Farm agrees to take remedial action bringing it into

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2000, as amended.

compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably assure that the errors noted in the Market Conduct Investigation do not recur. Such remedial actions shall include, but not be limited to, the following:

1. State Farm agrees to voluntarily provide remediation to the policyholders listed in the spreadsheet titled "Audits Over 120 Days" attached to the Investigation Findings for Investigation No. 13111-25143-PC dated November 10, 2014. Remediation will be provided in the amounts listed in the column titled "Addl Audit Premium" plus interest at the rate of 9% per annum as provided by § 408.020. No remediation will be provided for the first 17 policies listed on the spreadsheet where the "Addl Audit Premium" amount is listed as \$1.

2. State Farm agrees that audits on workers compensation insurance policies with Missouri premium or exposure will be completed, billed and premiums returned within 120 days of policy expiration or cancellation unless a) a delay is caused by the policyholder's failure to respond to reasonable audit requests provided that the requests are timely and adequately documented or b) a delay is by the mutual agreement of the policyholder and State Farm provided that the agreement is adequately documented.

3. State Farm agrees to ensure that its procedures for determining final premium comply with NCCI rule 02-MO-2013.

C. **Compliance.** State Farm agrees to file documentation with the Division within 90 days of the entry of a final order of all remedial action taken to implement compliance with the terms of this stipulation and to document payment of remediation required by this stipulation.

D. **Voluntary Forfeiture.** State Farm agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$85,750, with such sum payable to the Missouri State School Fund in accordance with § 374.280.

E. **Non-Admission.** State Farm denies that it has violated any Missouri law and is of the position that this Stipulation of Settlement is a compromise of disputed factual and legal allegations, and that payment of a forfeiture and remediation is not to be construed as an admission of liability, but merely to resolve disputes and avoid litigation.

F. **Waivers.** State Farm, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may

have otherwise applied to the above referenced Market Conduct Investigation.

G. **Changes.** No changes to this stipulation shall be effective unless made in writing and agreed to by all signatories to the stipulation.


H. **Governing Law.** This Stipulation of Settlement shall be governed and construed in accordance with the laws of the State of Missouri.

I. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation of Settlement.

J. **Effect of Stipulation.** This Stipulation of Settlement shall become effective only upon entry of a Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Director") approving this Stipulation.

K. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation of Settlement and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 3/2/2015



Angela Nelson
Director, Division of Insurance
Market Regulation

DATED: 3/2/2015



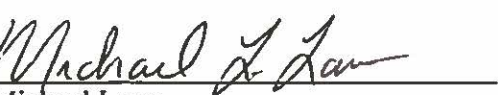
Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: 2/12/15



Edward B. Rust
President
State Farm Fire & Casualty Company

DATED: 2/16/15



Michael Lane
Counsel, Corporate Law Department
State Farm Fire & Casualty Company