

EXECUTIVE SUMMARY

A targeted market conduct re-examination of Farmers Insurance Company, Inc. also referred to as the “Company”, was conducted pursuant to, but not limited to K.S.A. 40-222. The examination period was from July 1, 2014 through December 31, 2014. The primary focus of the exam was policyholder rating related to private passenger auto insurance. In addition to the rating review, follow up was done on previous exam recommendations. Changes made by the Company in response to the prior exam findings were found by the examiners to be adequate.

The Company was cooperative and timely in responses to inquiries from the examiners. There were some rating violations noted, but none were repeated from the prior exam. There were areas where the Company was rating policies in a manner inconsistent with the rates and rules on file with the Department. However, it did appear the Company was using rates systematically and in a nondiscriminatory manner.

The exam team has made several recommendations for the Company to amend their rate and rule filings with KID to ensure they adequately reflect the Company’s rating practices. Some of the recommendations were not based on specific violations, but more for the purposes of clarification on the rating practices being used.

Within 60 days of the conclusion of the final exam:

1. The Company must update their definition of “Specialty Policy” in the filed rule manual.
2. The Company must update Rule V09 (Luxury Vehicle to Credit Group Factor) to update the luxury vehicle model years.
3. The Company must update the rate filing to reflect the use of the Rate Level Adjustment Factor for campers and trailers.
4. The Company must add all of the relationship codes used in determination of the Household Structure factor to the filed rate manual.
5. The Company must update the description at the top of Exhibit 16 (Points/Tier) in the rate manual to accurately describe what rating characteristics are combined to generate the table of factors shown.
6. The UM rating description on Exhibit 3 (UM/UIM Rate Order of Calculation) of the rate manual should be amended to show that the UM base rate is only applied once per household; not once per vehicle as the other coverages are.
7. The Company should add the definition of a “High Performance” vehicle to the filed rule manual.

8. The Company should file their list of approved companies for the Transfer discount with the Department.