

No. 2020-6302

**Official Order
of the
Texas Commissioner of Insurance**

Date: MAR 30 2020

Subjects Considered:

Texas Farm Bureau Mutual Insurance Company
Texas Farm Bureau Casualty Insurance Company
Farm Bureau County Mutual Insurance Company of Texas
P.O. Box 2689
Waco, Texas 76702-2689

Consent Order
TDI Enforcement File Nos. 15096, 15097, and 15098

General remarks and official action taken:

This is a consent order with Texas Farm Bureau Mutual Insurance Company, Texas Farm Bureau Casualty Insurance Company, and Farm Bureau County Mutual Insurance Company of Texas (collectively, "Farm Bureau Companies"). TDI conducted an examination of the Farm Bureau Companies that focused on their private passenger automobile business. The exam found that the Farm Bureau Companies violated Texas laws relating to claims payments, use of unlicensed adjusters, and rating. The Farm Bureau Companies have agreed to pay a \$60,000 administrative penalty for these violations.

Waiver

The Farm Bureau Companies acknowledge that the Texas Insurance Code and other applicable law provide certain rights. The Farm Bureau Companies waive all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

Findings of Fact

1. Texas Farm Bureau Mutual Insurance Company (Farm Bureau Mutual) and Texas Farm Bureau Casualty Insurance Company (Farm Bureau Casualty) are fire and casualty insurance companies holding certificates of authority to transact business in the state of Texas.
2. Farm Bureau County Mutual Insurance Company of Texas (Farm Bureau County Mutual) is a county mutual insurance company holding a certificate of authority to transact business in the state of Texas.
3. The Farm Bureau Companies are all affiliated entities.
4. The department conducted a targeted market conduct examination of the Texas Farm Bureau Companies covering the period of January 1, 2015, through December 31, 2015, pursuant to Chapter 751 of the Insurance Code. The exam focused on a review of sales, advertising and marketing, underwriting and rating, claims practices, and consumer complaints and inquiries. The exam concentrated on private passenger automobile business.
5. During the exam, the department found violations of the Texas Insurance Code and Texas Administrative Code in the sample of policies and claims reviewed.

Underwriting and Rating Practices Review

6. The examination reviewed the Farm Bureau Companies' issued policies to determine accuracy of rating, use of proper forms and endorsements, timely handling of transactions and policy service requests, adherence to consistent and nondiscriminatory underwriting practices, and compliance with Texas law.
7. Farm Bureau Mutual failed to receive one written rejection for Personal Injury Protection (PIP) coverage and failed to provide the PIP coverage.
8. Farm Bureau Casualty failed to receive one written rejection for Uninsured or Underinsured Motorist (UM/UIM) Coverage for Property Damage coverage and failed to provide the UM/UIM coverage.
9. Farm Bureau Mutual and Farm Bureau County Mutual applied a Credit Scoring Factor to calculate endorsement premium for the optional Towing and Labor Coverage and Rental Reimbursement Coverage, but failed to specifically include

the factor in the rating matrix. Farm Bureau Mutual and Farm Bureau County Mutual promptly corrected the rate filing following the examination.

Claims Practices

10. The examination reviewed the Farm Bureau Companies' claim files for compliance with policy provisions, timeliness and accuracy of payments, supporting documentation, general claim handling, and legal compliance. Sampled claims included pending claims, paid claims, denied claims, and claims closed without payment.
11. A review of claims found that Farm Bureau Mutual:
 - a) did not attempt in good faith to effect a prompt, fair, and equitable settlement for one claim submitted in which liability had become reasonably clear; and
 - b) allowed an individual undergoing training as an adjuster to assist with a claim without registering as a trainee.
12. A review of claims found that Farm Bureau Casualty failed to adopt and implement reasonable standards for the prompt investigation of claims in two files.

Consumer Complaints/Inquiries

13. The examination reviewed the Farm Bureau Companies' complaint files for legal compliance.
14. Farm Bureau Mutual received a total of 64 complaints during the timeframe of the examination. Twenty-eight complaints were reviewed, and five (18 percent) were considered confirmed.
15. A review of the complaints revealed Farm Bureau Mutual failed to adopt and implement reasonable standards for the prompt investigation of claims in two files.
16. Farm Bureau Casualty received a total of 39 complaints during the timeframe of the examination. Thirty-three complaints were reviewed, and six (18 percent) were considered confirmed.
17. A review of the complaints revealed Farm Bureau Casualty failed to adopt and implement reasonable standards for the prompt investigation of claims and did

not attempt in good faith to effect a prompt, fair, and equitable settlement for a claim submitted in which liability had become reasonably clear.

18. Farm Bureau County Mutual received a total of 19 complaints during the timeframe of the examination. All 19 complaints were reviewed, and three (15 percent) were considered confirmed.
19. A review of the complaints revealed Farm Bureau County Mutual did not attempt in good faith to effect a prompt, fair, and equitable settlement for a claim submitted in which liability had become reasonably clear.

Conclusions of Law

1. The commissioner of insurance has jurisdiction over this matter pursuant to TEX. INS. CODE chs. 751, 861, 862, and 912; TEX. INS. CODE §§ 82.051-82.055 and 84.021-84.051; and TEX. GOV'T CODE §§ 2001.051-2001.178.
2. The commissioner of insurance has authority to informally dispose of this matter under TEX. GOV'T CODE § 2001.056; TEX. INS. CODE §§ 36.104 and 82.055; and 28 TEX. ADMIN. CODE § 1.47.
3. The Farm Bureau Companies have knowingly and voluntarily waived all procedural rights to which they may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intention to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. Farm Bureau Mutual violated TEX. INS. CODE § 1952.152(a) by issuing an automobile liability insurance policy without providing PIP coverage in the policy or supplemental to the policy.
5. Farm Bureau Mutual violated TEX. INS. CODE § 1952.152(b) by failing to receive the written rejection for PIP.
6. Farm Bureau Casualty violated TEX. INS. CODE § 1952.101(b) by issuing an automobile liability insurance policy without providing UM/UIM coverage in the policy or supplemental to the policy.
7. Farm Bureau Casualty violated TEX. INS. CODE § 1952.101(c) by failing to receive the written rejection for UM/UIM.

8. Farm Bureau Mutual, Farm Bureau Casualty, and Farm Bureau County Mutual violated TEX. INS. CODE § 2251.101 and 28 TEX. ADMIN. CODE § 5.9334 by failing to include the application of the credit scoring factor to certain coverages in the rating matrix on file with the department.
9. Farm Bureau Mutual violated TEX. INS. CODE § 542.003(b)(4) by failing to attempt in good faith to effect a prompt, fair, and equitable settlement for a claim submitted in which liability had become reasonably clear.
10. Farm Bureau Casualty violated TEX. INS. CODE § 542.003(b)(4) by failing to attempt in good faith to effect a prompt, fair, and equitable settlement for a claim submitted in which liability had become reasonably clear.
11. Farm Bureau County Mutual violated TEX. INS. CODE § 542.003(b)(4) by failing to attempt in good faith to effect a prompt, fair, and equitable settlement for a claim submitted in which liability had become reasonably clear.
12. Farm Bureau Mutual violated TEX. INS. CODE § 4101.003 by allowing an individual who is undergoing training to act as an adjuster without having registered with the commissioner as a trainee.
13. Farm Bureau Casualty violated TEX. INS. CODE § 542.003(b)(3) by failing to adopt and implement reasonable standards for the prompt investigation of claims arising under the insurer's policies.
14. Farm Bureau Mutual violated TEX. INS. CODE § 542.003(b)(3) by failing to adopt and implement reasonable standards for the prompt investigation of claims arising under the insurer's policies.

Order

It is ordered that the Farm Bureau Companies, jointly and severally, pay an administrative penalty of \$60,000 within 30 days of the date of this order. The administrative penalty must be paid by cashier's check or money order made payable to the "State of Texas." Mail the administrative penalty to the Texas Department of Insurance, Attn: Enforcement Division, Division 60851, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.

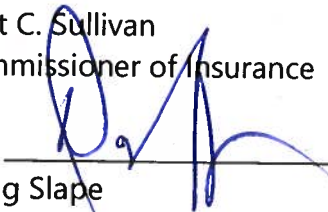
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Commissioner's Order

Texas Farm Bureau Mutual Insurance Company, et al


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Kent C. Sullivan
Commissioner of Insurance

By: 
Doug Slape
Chief Deputy Commissioner
Commissioner's Order No. 2018-5528

Recommended and reviewed by:


Leah Gillum, Deputy Commissioner
Enforcement Division


Mandy Meesey, Director
Enforcement Division

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Affidavit

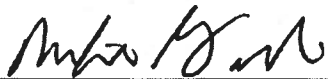
THE STATE OF TEXAS §
§
COUNTY OF McLENNAN §

Before me, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

"My name is Mike Gerik. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.


I hold the office of Executive Vice President and am the authorized representative of Texas Farm Bureau Mutual Insurance Company, Texas Farm Bureau Casualty Insurance Company, and Farm Bureau County Mutual Insurance Company of Texas (collectively, "Farm Bureau Companies"). I am duly authorized by the organizations to execute this statement.

The Farm Bureau Companies have knowingly and voluntarily entered into the foregoing consent order and agree with and consent to the issuance and service of the same by the commissioner of insurance of the state of Texas."


Affiant

SWORN TO AND SUBSCRIBED before me on February 26, 2020.

(NOTARY )


Signature of Notary Public