

No. **2023-7864**

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

Date: 03/28/2023

Subjects Considered:

Texas Farmers Insurance Company
Farmers Texas County Mutual Insurance Company
6301 Owensmouth Avenue
Woodland Hills, California 91367

Consent Order
TDI Enforcement File Nos. 28794 and 28795

General remarks and official action taken:

This is a consent order with Texas Farmers Insurance Company and Farmers Texas County Mutual Insurance Company (collectively, Farmers). When Farmers learned that certain Farmers' agents improperly applied discounts to some newly written automobile and homeowners policies, Farmers then used rates not on file with TDI by continuing to apply and failing to remove the discounts at renewal for at least two years after Farmers knew the policyholders were ineligible for those discounts. Farmers agrees to cease-and-desist from applying automobile and homeowners discounts at renewal if Farmers discovers the policyholders are ineligible for any such discounts, and agrees to pay, jointly and severally, an administrative penalty of \$60,000.

Waiver

Farmers acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Farmers waive all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

2023-7864

Commissioner's Order

Texas Farmers Insurance Company and

Texas Farmers County Mutual Insurance Company

Page 2 of 6

Findings of Fact

1. Texas Farmers Insurance Company is a fire and casualty insurance company holding a certificate of authority to transact business in the state of Texas.
2. Farmers Texas County Mutual Insurance Company is a county mutual company holding a certificate of authority to transact business in the state of Texas.
3. The Farmers companies are commonly owned affiliates.

Applying Discounts at Renewal to Ineligible Policies

4. In February 2020, Farmers cancelled an agent's appointments for cause because the agent submitted falsified roof permits, a falsified teaching certificate, and a falsified nursing certificate to support discounts given to insureds in homeowners and automobile insurance policies.
5. After discovering the improper discounts, Farmers did not remove these discounts at the policy term expiration date. Instead, Farmers renewed these policies with the ineligible discounts.
6. Farmers represented to TDI that it did not have a formal process to ensure discounts were removed after Farmers investigators discovered that certain policyholders did not qualify for discounts given.
7. After Farmers represented to TDI that the companies had initiated a process to manually remove applied discounts, it still renewed policies with the ineligible discounts.

Claims Treatment

8. Farmers represented to TDI that if a first-party claim was filed on one of the homeowners policies that was renewed with an ineligible new roof discount, an adjuster would be able to identify that the actual age of the roof was inconsistent with the age stated in the policy. Farmers further represented that the adjuster would then identify the actual roof age with receipts, other customer provided documentation, building permits, or other public records.

2023-7864

Commissioner's Order
Texas Farmers Insurance Company and
Texas Farmers County Mutual Insurance Company
Page 3 of 6

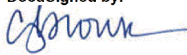
Conclusions of Law

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051 – 82.055, 84.021 – 84.044, 801.051 – 801.053, 912.002, and 912.101 – 912.152.
2. The commissioner has the authority to informally dispose of this matter as set forth in TEX. GOV'T CODE § 2001.056; TEX. INS. CODE §§ 36.104 and 82.055; and 28 TEX. ADMIN. CODE § 1.47.
3. Farmers has 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. Farmers violated TEX. INS. CODE § 2251.101 by using a rate different than that on file with TDI.

Order

It is ordered that Texas Farmers Insurance Company and Farmers Texas County Mutual Insurance Company must cease and desist from applying automobile and homeowners discounts at renewal if they discover the policyholders are ineligible for any such discounts.

It is further ordered that Texas Farmers Insurance Company and Farmers Texas County Mutual Insurance Company, jointly and severally, pay an administrative penalty of \$60,000 within 30 days from the date of this order. The administrative penalty must be paid as instructed in the invoice, which the department will send after entry of this order.

DocuSigned by:

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Cassie Brown
Commissioner of Insurance

2023-7864

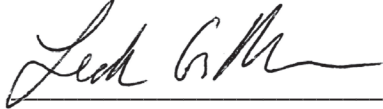
Commissioner's Order

Texas Farmers Insurance Company and

Texas Farmers County Mutual Insurance Company

Page 4 of 6

Recommended and reviewed by:



Leah Gillum, Deputy Commissioner
Fraud and Enforcement Division



Anna Kalapach, Staff Attorney
Enforcement

Affidavit

STATE OF California §
§
COUNTY OF Orange §

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

"My name is Victoria L. McCauley. 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 Vice President and am an authorized representative of Texas Farmers Insurance Company. I am duly authorized by said organization to execute this statement.

Texas Farmers Insurance Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

Victoria L. McCauley
Affiant

SWORN TO AND SUBSCRIBED before me on March 17, 2023

(NOTARY SEAL)

-see Attach CA Juror
Signature of Notary Public

Ross Lee Guindon
Printed Name of Notary Public

CALIFORNIA JURAT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }

COUNTY OF Orange }

Subscribed and sworn to (or affirmed) before me on this 17th day of March, 2023
Date Month Year

by Victoria L. McCarthy

Name of Signers

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Signature: [Signature]
Signature of Notary Public



Seal
Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent attachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: Affidavit

Document Date: 03-17-2023

Number of Pages: 1

Signer(s) Other Than Named Above: -