

1 CALIFORNIA DEPARTMENT OF INSURANCE  
2 LEGAL BRANCH  
3 RATE ENFORCEMENT BUREAU  
4 DANIEL WADE, Bar No. 296958  
5 NIKKI MCKENNEDY Bar No. 184269  
6 1901 Harrison, 6th Floor  
7 Oakland, CA 94612  
8 Telephone: 415-538-4158  
9 Facsimile: 415-904-5490  
10 Email: nikki.mckennedy@insurance.ca.gov  
11 Daniel.Wade@insurance.ca.gov

12 Attorneys for the California Department of Insurance

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**BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF CALIFORNIA**

In the Matter of the Rating and  
Underwriting Practices of  
  
Farmers Insurance Exchange,  
  
Respondent.

File No. NC-2024-00007

SETTLEMENT STIPULATION AND  
CONSENT ORDER

The California Department of Insurance (“Department”) and Respondent Farmers Insurance Exchange (“Respondent”) (collectively, “the Parties”) stipulate as follows:

1. The Department has jurisdiction over Respondent who is, and at all relevant times was, an insurer licensed to transact the business of insurance in California.
2. At all relevant times, Respondent transacted the business of insurance in California on risks or lines subject to the provisions of the California Insurance Code (“CIC”) and title 10 of the California Code of Regulations (“Regulations”).
3. In 2023, the Department received multiple consumer complaints alleging unfair and excessive pricing of Respondent’s Difference in Conditions (“DIC”) policy.
4. Respondent’s DIC policy is written as a homeowner’s policy with a negative endorsement that removes from coverage the perils that are covered by the California FAIR Plan.

1 Basic Property Insurance Policy, including, but not limited to the perils of fire and wildfire.

2 5. After investigation, the Department has concluded that Respondent is charging a  
3 significant premium for the perils of fire and wildfire. Respondent's DIC policies do not provide  
4 coverage for fire and wildfire losses. Respondent asserts that such premium is associated with  
5 Respondent's cost of complying with its legal duty to adjust wildfire losses incurred by the  
6 California FAIR Plan and was approved under Insurance Code 1861.05.

7 6. The Department alleges that charging any premium for the uncovered perils of fire  
8 and wildfire violates the prohibition on excessive and potentially unfairly discriminatory rates in  
9 CIC section 1861.05(a). Respondent denies this allegation.

10 7. Respondent acknowledges receipt of the Notice of Noncompliance in this matter,  
11 which includes the issues relevant to this Stipulation.

12 8. The purpose of this Stipulation is to resolve contested issues as set forth in the  
13 Notice of Noncompliance.

14 9. The Department and Respondent believe that it is in the public interest to resolve  
15 this matter without the need for a hearing or any further administrative action.

16 10. Other than as set forth in this Stipulation, the Parties agree no factual findings or  
17 legal conclusions have been made.

18 11. Respondent denies the allegations contained in the Notice of Noncompliance and  
19 denies that it has in any way acted in violation of California insurance law. By entering into this  
20 stipulated agreement, Respondent makes no admission of liability, wrongdoing or violation of  
21 law.

22 12. Without admitting wrongdoing, Respondent waives its rights to a hearing and any  
23 and all rights to which it may be entitled pursuant to CIC sections 1858.1, *et seq.*

24 13. Respondent has met and conferred with the Department, and will continue to meet  
25 and confer with the Department as necessary, to address according to the terms of this stipulated  
26 agreement and the concerns arising from the Department's review of Respondent's insurance  
27 practices raised in the Notice of Noncompliance.

28 14. At the present time, Respondent has made, and/or has agreed to make, the

1 following changes to its rating and underwriting practices:

- 2 a. Respondent will cease charging any premium for the perils of fire and wildfire on
- 3 its DIC policies issued or renewing on or after March 25, 2024.
- 4 b. Respondent will refund premium on DIC policies charged for the perils of fire and
- 5 wildfire for all policies issued or renewing on or after April 8, 2023 through March
- 6 24, 2024.
  - 7 i. Respondent shall determine the refund paid to each policyholder by
  - 8 isolating the portion of the premium for DIC policies that was
  - 9 attributed specifically to the fire and wildfire peril.
  - 10 ii. The refund shall be paid to each policyholder in the form of a credit
  - 11 against future premium, a check, or a combination of the two.

12 15. Respondent will recoup the aggregate level of rate corresponding to the premium  
13 refunds described in paragraph 14.b. in its current rate filing or a subsequent rate filing, subject to  
14 Department prior review and approval in compliance with the provisions of Proposition 103. The  
15 parties agree that the following procedures will apply to the filing that includes recoupment of  
16 Respondent's refunds:

- 17 a. Respondent will seek recoupment either through amendment to
- 18 Respondent's current rate filing<sup>1</sup> or including it in Respondent's next rate filing.
- 19 b. Respondent will adjust its base rates for a period of no more than one year
- 20 to account for this recoupment.
- 21 c. The Department will treat the recoupment as rate neutral assuming
- 22 Respondent's rate filing confirms that the recoupment offsets the refunds paid out.
- 23 The Parties agree the recoupment adjustment will not impact or be reflected in the
- 24 rate increase percentage stated in the public notice or the amount of rate requested
- 25 or approved in the rate filing submission.
- 26 d. The recoupment shall equal the total amount of refunds paid.

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<sup>1</sup> Farmers Insurance Exchange 24-634, Fire Insurance Exchange 24-634-A. Mid-Century Insurance Company 24-634-B.

1           16.     Respondent shall provide to the Department an accounting of all refunds paid no  
2 later than 90 days after the date this stipulation is adopted. The accounting shall include: (1) the  
3 date by which Respondent ceased charging fire and wildfire premium on DIC policies; (2) an  
4 accounting of the number of DIC policyholders charged fire and wildfire premium and the total  
5 amount charged; and (3) the total amount of fire and wildfire DIC premium refunded.

6           17.     Once Respondent has concluded recoupment of the refunds pursuant to paragraph  
7 15 above, Respondent shall provide to the Department a written accounting showing that (1)  
8 recoupment has ceased, and (2) the total recoupment has not exceeded the total refunds given.

9           18.     Respondent acknowledges that this Stipulation is a public record as required by  
10 Government Code section 11517(d) and that this Stipulation will be accessible to the public  
11 pursuant to the Public Records Act, Government Code sections 7920.000 *et seq.* The Stipulation  
12 will be posted on the Department's Internet website pursuant to CIC section 12968.

13           19.     Respondent acknowledges that CIC section 12921(a)(1) requires the  
14 Commissioner to approve the final settlement of this matter. Both the settlement terms and  
15 conditions in this Stipulation and the acceptance of those terms and conditions are contingent  
16 upon the Commissioner's approval.

17           20.     This Stipulation constitutes a final resolution between the Department and the  
18 Respondent of the issues raised in the Notice of Noncompliance up to the date of this Stipulation.

19           21.     Nothing contained in this Stipulation constitutes a limitation upon, or a waiver of  
20 the rights and powers of the Commissioner to enforce any California law, to examine the rating,  
21 underwriting and any other business practices of Respondent, to take corrective or disciplinary  
22 action, to assess penalties against Respondent as provided for by law, or to take such other action  
23 as necessary to protect the public. But the Department shall not seek any additional remedy or  
24 penalty based on any of the allegations set forth above.

25           22.     The Commissioner retains jurisdiction to ensure that the Parties comply with the  
26 provisions and terms of this Stipulation and the Order requested thereon.

27           23.     This Stipulation will become final and effective when it is approved by the  
28 Commissioner as evidenced by the execution of the Order provided below, expressly adopting

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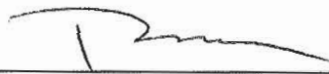
this Stipulation.

24. This stipulation may be executed in counterparts.

Dated: May 15, 2024

CALIFORNIA DEPARTMENT OF INSURANCE

By *Daniel Wade*  
Daniel Wade  
Attorneys for California Department of Insurance

By   
Richard De La Mora  
Attorneys for Respondent Farmers Insurance  
Exchange

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**BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF CALIFORNIA**

In the Matter of the Rating and  
Underwriting Practices and Procedures of  
the

Farmers Insurance Exchange,  
Respondent.

File No. NC-2024-00007

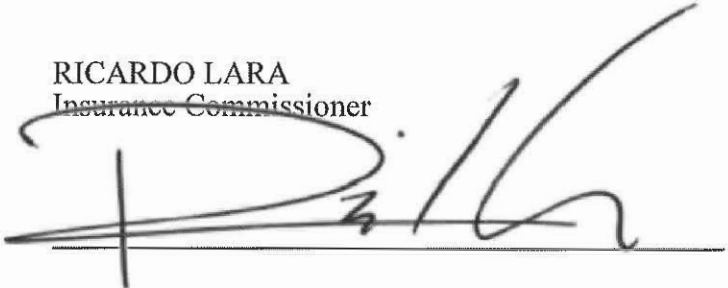
ORDER ADOPTING STIPULATION AND  
CONSENT ORDER

**ORDER**

Having reviewed the parties' Stipulation and good cause appearing, I approve the terms of the Stipulation and adopt those terms as the Order of the Insurance Commissioner of the State of California in this matter.

Dated: May 16, 2024

RICARDO LARA  
Insurance Commissioner



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**PROOF OF SERVICE**  
**IN THE MATTER OF THE RATING & UNDERWRITING PRACTICES OF**  
**FARMERS INSURANCE EXCHANGE, RESPONDENT.**  
**CDI FILE NO. NC-2024-00007**

I am over the age of eighteen years and am not a party to the within action. I am an employee of the Department of Insurance, State of California, employed at 1901 Harrison Street, 4<sup>th</sup> Floor, Oakland, CA 94612. On May 16, 2024, I served the following document(s):

**SETTLEMENT STIPULATION AND CONSENT ORDER AND**  
**ORDER ADOPTING STIPULATION AND CONSENT ORDER**

on all persons named on the attached Service List, by the method of service indicated, as follows:

If **U.S. MAIL** is indicated, by placing on this date, true copies in sealed envelopes, addressed to each person indicated, in this office's facility for collection of outgoing items to be sent by mail, pursuant to Code of Civil Procedure Section 1013. I am familiar with this office's practice of collecting and processing documents placed for mailing by U.S. Mail. Under that practice, outgoing items are deposited, in the ordinary course of business, with the U.S. Postal Service on that same day, with postage fully prepaid, in the city and county of San Francisco, California.

If **OVERNIGHT SERVICE** is indicated, by placing on this date, true copies in sealed envelopes, addressed to each person indicated, in this office's facility for collection of outgoing items for overnight delivery, pursuant to Code of Civil Procedure Section 1013. I am familiar with this office's practice of collecting and processing documents placed for overnight delivery. Under that practice, outgoing items are deposited, in the ordinary course of business, with an authorized courier or a facility regularly maintained by one of the following overnight services in the city and county of San Francisco, California: Express Mail, UPS, Federal Express, or Golden State overnight service, with an active account number shown for payment.

If **FAX SERVICE** is indicated, by facsimile transmission this date to fax number stated for the person(s) so marked.

If **PERSONAL SERVICE** is indicated, by hand delivery this date.

If **INTRA-AGENCY MAIL** is indicated, by placing this date in a place designated for collection for delivery by Department of Insurance intra-agency mail

If **EMAIL** is indicated, by electronic mail transmission this date to the email address(es) listed.

Executed this date at San Francisco, California. I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

*Cecilia Padua*  
Cecilia Padua

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**SERVICE LIST**  
**IN THE MATTER OF THE RATING & UNDERWRITING PRACTICES OF**  
**FARMERS INSURANCE EXCHANGE, RESPONDENT.**  
**CDI FILE NO. NC-2024-00007**

<u>Name/Address</u>	<u>Phone/Fax Numbers</u>	<u>Method of Service</u>
Richard De La Mora, Esq. Head of Product, Regulatory Affairs & CIF Office of the General Counsel Attorney(s) for Respondent <b>FARMERS GROUP, INC.</b> 6301 Owensmouth Avenue Woodland Hills, CA 91367 <a href="mailto:Richard.delamora@farmersinsurance.com">Richard.delamora@farmersinsurance.com</a>	Tel: (626) 272-8249	Via EMAIL
Kenneth Allen Deputy Commissioner Rate Regulation Branch <b>CALIFORNIA DEPARTMENT OF</b> <b>INSURANCE</b> 300 South Spring Street, 14 <sup>th</sup> Floor Los Angeles, CA 90013 <a href="mailto:Ken.Allen@insurance.ca.gov">Ken.Allen@insurance.ca.gov</a>	Tel: (213) 346-6783 Fax: (213) 897-9051	Via EMAIL
Tony Cignarale Deputy Commissioner Consumer Services & Market Conduct Branch <b>CALIFORNIA DEPARTMENT OF</b> <b>INSURANCE</b> 300 South Spring Street, 14 <sup>th</sup> Floor Los Angeles, CA 90013 <a href="mailto:Tony.Cignarale@insurance.ca.gov">Tony.Cignarale@insurance.ca.gov</a>	Tel: (213) 346-6360 Fax: (213) 897-9051	Via EMAIL