

No. 2019- 6124

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

Date: OCT 30 2019

Subjects Considered:

Farmers Texas County Mutual Insurance Company
Mid-Century Insurance Company of Texas
PO Box 4402
Woodland Hills, CA 91365-4402

Consent Order
TDI Enforcement File Nos. 21468 and 21469

General remarks and official action taken:

This is a consent order with Farmers Texas County Mutual Insurance Company and Mid-Century Insurance Company of Texas (collectively, "Farmers Companies"). The Farmers Companies self-reported a rating error caused by system programming errors that affected automobile insurance policyholders. The Farmers Companies have agreed to pay restitution with interest to the affected policyholders.

Waiver

The Farmers Companies acknowledge that the Texas Insurance Code and other applicable law provide certain rights. The Farmers 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. Farmers Texas County Mutual Insurance Company is a county mutual insurance company that holds a certificate of authority to transact business in Texas.
2. Mid-Century Insurance Company of Texas is a foreign fire and casualty insurance company that holds a certificate of authority to transact business in Texas.

3. In March 2019, the Farmers Companies notified the department that due to a programming error, their system failed to recognize that certain vehicles had passive restraints like airbags and seatbelts.
4. The error caused the Farmers Companies to unintentionally charge the wrong rates. The error affected 7,536 Texas policies issued between March 16, 2008 and February 12, 2016. The Farmers Companies estimate this error caused overcharges of \$673,000.

Conclusions of Law

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051 – 82.055, 84.021– 84.044, 801.052–801.053, 912.002, 912.101-912.152, and 2251.101.
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. The Farmers 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. The Farmers Companies failed to comply with TEX. INS. CODE § 2251.101 by charging rates different than those on file with the department.
5. Pursuant to TEX. INS. CODE § 82.053, the commissioner is authorized to direct the Farmers Companies to make complete restitution to each policyholder impacted by the violations.

The Farmers Companies are ordered to comply with the following:

- a. The Farmers Companies must identify all automobile insurance policies issued by the companies in Texas with effective dates March 16, 2008 and February 12, 2016 (the "Review Period").

- b. For each policy in the Review Period, the Farmers Companies must calculate the Corrected Premium using the rates on file with the department.
- c. For each policy in the Review Period, the Farmers Companies must calculate and determine whether the dollar amount of the premium charged for each policy is less than or more than the Corrected Premium. If the premium charged is more than the Corrected Premium, the difference constitutes the Overcharge.
- d. The Farmers Companies must pay restitution in the form of a company check or account credit to each policyholder identified in the Review Period as having an Overcharge (the "Qualifying Policyholders"). The restitution check and/or account credit must include both the dollar amount of the overcharge, plus simple interest due on the overcharge. The rate of interest is 5.5% percent per annum.
- e. The Farmers Companies must mail the restitution checks and/or issue the account credits to the Qualifying Policyholders on or before December 31, 2019.
- f. Any restitution checks that are returned to the Farmers Companies with an address correction must be promptly resent to the correct address. Funds from any restitution checks that are returned thereafter for incorrect addresses and from checks that are not negotiated must be reported and delivered to the comptroller pursuant to the procedures and deadlines set forth in TEX. PROP. CODE §§ 72.001 *et. seq.*, 73.001 *et. seq.*, and 74.001 *et. seq.* The Farmers Companies must copy the department on any correspondence pertaining to presumed abandoned funds that is sent to the comptroller.
- g. On or before February 15, 2020, the Farmers Companies must report the restitution paid to the Qualifying Policyholders by submitting a complete and sortable electronic spreadsheet to the department. The spreadsheet must contain the following information:
 - i. issuing company;
 - ii. policy number;
 - iii. policyholder name;
 - iv. policyholder address;
 - v. effective date of the policy;

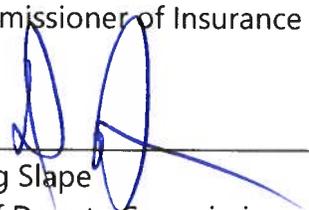
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- vi. expiration date of the policy;
 - vii. amount of Overcharge;
 - viii. dollar amount of simple interest;
 - ix. amount of Overcharge and interest;
 - x. date(s) of mailing of restitution check or credits;
 - xi. the total sum of all Overcharges;
 - xii. the total sum of all simple interest; and,
 - xiii. the total sum of all restitution paid (total Overcharges plus the total of the simple interest).
- h. The Farmers Companies must send all submissions required under the terms of this order by email to: EnforcementReports@tdi.texas.gov.

Kent C. Sullivan
Commissioner of Insurance

By:

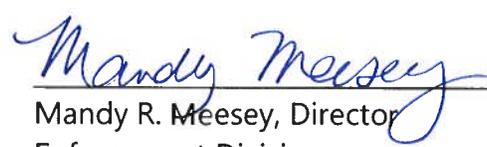


Doug Slape
Chief Deputy Commissioner
Commissioner's Order No. 2018-5528

Recommended and reviewed by:



Leah Gillum, Deputy Commissioner
Enforcement Division



Mandy R. Meesey, Director
Enforcement Division

CALIFORNIA JURAT WITH AFFIANT STATEMENT

GOVERNMENT CODE § 8202

- See Attached Document (Notary to cross out lines 1-6 below)
- See Statement Below (Lines 1-6 to be completed only by document signer[s], not Notary)

1 _____

2 _____

3 _____

4 _____

5 _____

6 _____

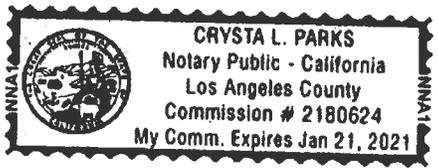
Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

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 Los Angeles

Subscribed and sworn to (or affirmed) before me
on this 3 day of October, 2019,
by Victoria L. McCarthy
(1) _____
(and (2) _____),
Name(s) of Signer(s)



proved to me on the basis of satisfactory evidence
to be the person(s) who appeared before me.
Signature Crysta L Parks
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 reattachment of this form to an unintended document.

Description of Attached Document
Title or Type of Document: Official Order of the TX Comm of DNS. Document Date: 10/3/19
Number of Pages: 6 Signer(s) Other Than Named Above: Farmer TX of Mutual DNS Co. N/A

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Affidavit

~~STATE OF _____ §~~

~~§~~

~~COUNTY OF _____ §~~

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

"My name is Victoria L. McCarthy 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 the authorized representative
of Mid-Century Insurance Company of Texas. I am duly authorized by said organization
to execute this statement.

Mid-Century Insurance Company of Texas has 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."

Victoria L. McCarthy
Affiant

SWORN TO AND SUBSCRIBED before me on _____, 2019.

(NOTARY SEAL)

*Please see attached CA
Notary Certificate*

Signature of Notary Public

Printed Name of Notary Public

CALIFORNIA JURAT WITH AFFIANT STATEMENT

GOVERNMENT CODE § 8202

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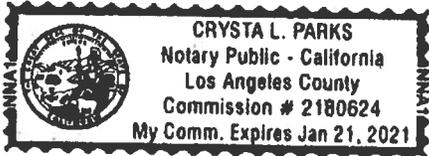
6 _____

Signature of Document Signer No. 1 Signature of Document Signer No. 2 (if any)

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 Los Angeles

Subscribed and sworn to (or affirmed) before me
 on this 3 day of October, 2019,
 by Date Month Year
 (1) Victoria L. McCarthy
 (and (2) _____),
 Name(s) of Signer(s)



proved to me on the basis of satisfactory evidence
 to be the person(s) who appeared before me.
 Signature Crysta L. Parks
 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 reattachment of this form to an unintended document.

Description of Attached Document
 Title or Type of Document: Official Order of the TX Comm. of WMS Document Date: 10/3/19
Palmer TX Mutual WMS: 00000
 Number of Pages: 0 Signer(s) Other Than Named Above: N/A