

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE,
MONTANA STATE AUDITOR**

STATE OF MONTANA,)	CASE NO. INS-2014-132
)	
Plaintiff,)	
)	CONSENT AGREEMENT AND
vs.)	FINAL ORDER
)	
STATE FARM MUTUAL AUTOMOBILE)	
INSURANCE COMPANY, Montana)	
Certificate of Authority #463)	
)	
Respondent.)	

This Consent Agreement and Final Order (Agreement) is entered into by the Office of the Commissioner of Securities and Insurance, Montana State Auditor (CSI), acting pursuant to the authority of the Montana Insurance Code, Mont. Code Ann. § 33-1-101 et seq. (Code), and State Farm Mutual Automobile Insurance Company (Respondent).

RECITALS

WHEREAS, Respondent is a Montana licensed insurer, Certificate of Authority # 463, with a home office in Bloomington, IL;

WHEREAS, Respondent offered claims free rate discounts to consumers on its Basic Hospital Surgical Policy Form, 97047MT who did not file a claim in the previous two years;

WHEREAS, the CSI informed Respondent that such a practice was a violation of § 33-22-243;

WHEREAS, the CSI and Respondent agreed that Respondent’s 2013 rate structure would not include the claims free adjustment;

WHEREAS, as part of its rate review in 2014, the CSI discovered the claims free adjustment was still present in Respondent’s rates;

WHEREAS, 32 policyholders were overcharged and 97 policyholders were undercharged as a result of Respondent not removing the claims free adjustment;

WHEREAS, 58 policyholders experienced more than one rate increase in 2013 as a result of CPI factors being implemented at renewal dates rather than at anniversary dates;

WHEREAS, the CSI alleged Respondent violated § 33-22-243 when it offered a claims free adjustment;

WHEREAS, the CSI alleged Respondent violated § 33-22-107(1) by raising premium twice in 2013;

WHEREAS, the CSI and Respondent agree that the best interests of the public would be served by entering into this Agreement;

NOW, THEREFORE, in consideration of the mutual undertakings contained in this Agreement, the CSI and Respondent hereby agree to settle this matter pursuant to the following terms and conditions:

STIPULATIONS AND CONSENTS

1. Respondent stipulates and agrees as follows:
 - A. The allegations set forth above are true and correct.
 - B. Respondent shall pay a fine in the amount of \$15,000 within 10 business days of the execution of this Agreement. This fine must be made payable to the State of Montana and sent to the Office of the Commissioner of Securities and Insurance, Montana State Auditor, c/o Brett O'Neil, 840 Helena Avenue, Helena, MT 59601.
 - C. Respondent shall refund the 32 overcharged policies an approximate total of \$16,020.00, with 10% statutory interest, totaling an approximate \$1,332.00, for an

approximate grand total of \$17,352.00. Within 30 days of implementing the rates agreed to in 2012, Respondent will issue a refund to impacted policyholders. An actual accounting of the refunds issued will be provided to the CSI after the refunds have been issued and will be included as Exhibit 1.

D. Respondent shall refund policyholders who received more than one rate increase in 2013 an approximate total of \$6,286, with 10% statutory interest, totaling an approximate \$778, for an approximate grand total of \$7,064.

E. Respondent shall submit all subsequent rates on the effected policies in accordance with § 33-22-156 and § 33-22-157.

F. Respondent shall submit all correspondence regarding this regulatory action to the CSI prior to sending it to consumers. Such correspondence includes, but is not limited to, refund notices and rate adjustments.

G. Respondent shall comply with the terms and conditions of this Agreement, the Code, and all other regulations of the state of Montana.

H. With respect to the Recitals, Respondent specifically and affirmatively waives a contested case hearing and any rights to appeal under the Montana Administrative Procedure Act, Mont. Code Ann. § 2-4-101 et seq. (MAPA). It elects to resolve this matter on the terms and conditions set forth therein.

I. Respondent acknowledges and enters into this Agreement voluntarily and without reservation.

J. Respondent fully and forever releases and discharges the CSI from any and all actions, claims, causes of action, demands, or expenses for damages or injuries, whether asserted or unasserted, known or unknown, foreseen or unforeseen, arising out

of the Recitals.

2. All parties to this Agreement stipulate and agree as follows:

A. The CSI warrants and represents that so long as Respondent adheres to the terms of this Agreement, the CSI will not bring any further action against Respondent arising from facts known to the CSI as of the date of the Agreement.

B. This Agreement is entered without adjudication of any issue, law, or fact. It is entered solely for the purpose of resolving the matter described in the Recitals and is not intended to be used for any other purpose. For any person or entity not a party to this Agreement, this Agreement does not alter, limit, or create any private rights or remedies against the parties.

C. This Agreement constitutes the entire agreement between the parties on this matter. No other promises or agreements, either express or implied, have been made between the CSI, or any member, officer, agent, or representative of the CSI, and Respondent related to this matter.

D. This Agreement may not be modified orally. Any subsequent modifications to this Agreement must be in a mutually-agreed writing with the same formality as this Agreement.

E. This Agreement shall be incorporated into and made part of the attached Final Order issued by the Commissioner of Securities and Insurance, Montana State Auditor (Commissioner).

F. This Agreement shall be effective upon signing of the Final Order.

G. This Agreement and Final Order are public records under Montana law and as such may not be sealed or otherwise withheld from the public.

DATED this 15th day of October, 2014.

**OFFICE OF THE COMMISSIONER OF
SECURITIES AND INSURANCE,
MONTANA STATE AUDITOR**

By: 
BRETT O'NEIL
Attorney for the CSI

DATED this 9th day of October, 2014.

**STATE FARM MUTUAL
AUTOMOBILE INSURANCE
COMPANY**

By: Andrew P. Wiedemilt

Its: Assistant Vice President - Life/Health Actuary

FINAL ORDER

Pursuant to the authority vested by Mont. Code Ann. §§ 2-4-603 and 33-1-101 et seq., and upon reviewing the forgoing Consent Agreement and good cause appearing,

IT IS HEREBY ORDERED, that the forgoing Consent Agreement between the Office of the Commissioner of Securities and Insurance, Montana State Auditor, and Respondent State Farm Mutual Automobile Insurance Company, adopted as set forth fully herein.

DATED this 16 day of October, 2014.

MONICA J. LINDEEN
Commissioner of Securities and Insurance,
Montana State Auditor

By: _____

ADAM SCHAFFER
Deputy State Auditor