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## **N.D. Regulators Fine Farmers \$750,000 for Alleged Unfair Claims Practices**

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BISMARCK, N.D. June 29 (BestWire) — North Dakota Insurance Commissioner Jim Poolman said Farmers Insurance Group has paid a \$750,000 administrative fine to the state's insurance department for alleged unfair claims practices in relation to automobile claim adjustments over a period spanning 1990 through 2004.

Poolman said the performance of adjusters at Farmers Insurance Exchange, a subsidiary of the Farmers Insurance Group, was based on arbitrary goals that disadvantaged policyholders. "They set arbitrary goals in several different areas, including maintaining average cost claims and increasing the number of fraud referrals. The most offensive was closing a set percentage of claims without payment," Poolman said. "The goals were not based on the merits of claims and created an inherent bias against policyholders for legitimate claims."

Poolman said Farmers has discontinued the programs. "It's bad PR at best and against the Unfair Claims Practices Act at worst," he said. "They understand it was bad corporate policy."

Attempts to reach Los Angeles-based Farmers Insurance Group were not immediately successful.

In addition, Poolman mandated Farmers adhere to the following guidelines:

— The company must eliminate incentive plans that utilize goals relating to settling claims within certain financial ranges in the evaluation, determination or compensation of claims settlement personnel;

—The company must emphasize in training programs for newly hired claims settlement personnel the importance of evaluating claims on merit and neither underpaying nor overpaying claims; and

— The company must notify all claims settlement personnel that the role of incentive programs is to reward exemplary performance and achievement of paying the amount due on all claims as quickly, fairly and efficiently as possible.

Poolman said the insurance department reserves the right to verify the company is following the mandates correctly.

Farmers Insurance Group is the eighth-largest private-passenger auto insurer in North Dakota. The company had \$11.3 million in direct private-passenger auto premiums written in North Dakota during 2006, according to A.M. Best Co. state/line product information.

Farmers Insurance Exchange and 14 companion carriers participate in an intercompany pooling agreement in which premiums, losses and expenses are allocated to each company based on percentages, according to an A.M. Best report.

The A.M. Best report states Farmers Insurance Group targets preferred and standard auto risks in 41 states, including policies for liability insurance, uninsured/underinsured motorists, no-fault or personal injury protection, as well as collision and comprehensive coverage. The group also markets motorcycle and recreational vehicle coverages.

Farmers Insurance Group and Farmers Insurance Exchange currently have Best's Financial Strength Ratings of A (Excellent).

In 2006, the top five writers of private-passenger auto in North Dakota, according to A.M. Best Co. state/line product information based on direct premiums written, were: State Farm Group, with a 16% market share; American Family Insurance Group, with 13.7%; Progressive Insurance Group, with 10.8%; Nodak Mutual Group, with 10.2%; and QBE Re Group - US, with 8.9%.

(By Tom De Martini, associate editor, BestWeek: [Thomas.DeMartini@ambest.com](mailto:Thomas.DeMartini@ambest.com)) BN-NJ-06-29-2007  
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