

BEFORE THE INSURANCE COMMISSIONER

FOR THE STATE OF DELAWARE

IN THE MATTER OF:)
)
STATE FARM FIRE AND)
CASUALTY COMPANY,) DOCKET NO. 2102-2012
One State Farm Plaza)
Bloomington, IN 61710)
NAIC #25143)

STIPULATION AND CONSENT ORDER

THIS STIPULATION AND CONSENT ORDER is entered into as of October ____, 2012, by and between State Farm Fire and Casualty Company (“Respondent”) and the State of Delaware Department of Insurance (“Department”).

WHEREAS, Respondent is a property and casualty insurance company incorporated under Illinois law and authorized to conduct the business of insurance in the State of Delaware; and

WHEREAS, Respondent initiated a “Coastal Nonrenewal Plan” (“Plan”) whereby, beginning with property renewals effective on or after March 1, 2011, policies covering properties within a coastal setback line (“Coastal Setback”), would be non-renewed; and

WHEREAS, the Department, through its examiners, conducted a targeted market conduct examination (“Examination”) of Respondent’s affairs and practices as a result of Respondent’s initiation of the Plan and subsequent consumer complaints filed with the Department; and

WHEREAS, the Department, through its examiners, prepared and provided to Respondent for review and comments draft versions of a report of the Examination; and

WHEREAS, Respondent has reviewed and commented on such draft versions of the report of the Examination; and,

WHEREAS, after considering Respondent's comments, the Department, through its examiners, has prepared a final report of the Examination, dated as of November 1, 2011 ("Final Examination Report"); and

WHEREAS, among other findings contained in the Final Examination Report, the Department concluded that the notice of non-renewal that Respondent provided to policyholders covered by the Plan did not comply with 18 Del C. §4122(c), in that it failed to provide a written explanation of the specific reasons for nonrenewal (hereinafter the "Notice Violations"); and

WHEREAS, after communications with the Department, Respondent desires to resolve any and all matters relating to the Department's findings contained in the Final Examination Report without recourse to any administrative hearing or court action (such as an appeal);

NOW, THEREFORE, IT IS AGREED, by and between Respondent and the Department as follows:

1. Respondent accepts the Final Examination Report, waives any right to a hearing thereon, and agrees that the Department may file the Final Examination Report without any further modifications.
2. Upon its execution of this Stipulation and Consent Order, Respondent shall pay to the Department an administrative penalty for the Notice Violations in the amount of One Hundred Fifty Thousand Dollars (\$150,000.00). Respondent shall make its check for the administrative penalty payable to the "State of Delaware."

3. There shall be a three-year moratorium (“Moratorium Period”) upon cancellation or non-renewal of the policies whose non-renewal was suspended as of November 1, 2011 (collectively, “Moratorium Policies”, each a “Moratorium Policy”). The Moratorium Policies are identified on Exhibit A hereto. The Moratorium Period shall begin to run at each Moratorium Policy’s next renewal date occurring on or after November 1, 2012. Respondent shall not cancel or non-renew any Moratorium Policy during the Moratorium Period due to the location of covered property within the Coastal Setback; however Respondent retains the right to assert all rights and defenses and to terminate coverage for other reasons permissible under the terms of each Moratorium Policy.

4. The Department reserves the right to issue a press release and to send a letter to the policyholders of the Moratorium Policies concerning the terms of this Stipulation and Consent Order, and such other related matters as the Department shall deem appropriate so long as any such other matters are not inconsistent with the letter and spirit of this Stipulation and Consent Order. Upon request by the Department, Respondent shall provide the Department with updated contact information for the policyholders. The Department agrees to provide to Respondent a copy of any such press release or policyholder letter in advance of release or mailing, so that Respondent may review them and provide any comments to the Department; provided, the Department shall retain absolute discretion over the final language in any press release or letter covered by this paragraph.

5. If upon expiration of the Moratorium Period, Respondent cancels or non-renews any Moratorium Policy in accordance with the Plan, or otherwise for reasons related to the proximity to the coast of property covered by such policy, the notice of cancellation or nonrenewal sent to the policyholder shall include a statement that: “For business reasons, your policy is not being renewed due to State Farm’s determination that there is an unacceptable exposure to loss because,

based in part on historic or predictive data, your property is in a location where the probability of a catastrophic loss occurring has increased.”

6. Respondent waives any right to challenge in an administrative or court proceeding any of the terms and conditions of this Stipulation and Consent Order.

7. This Agreement is the free and voluntary act of the Respondent, and its terms are binding upon the Respondent and may be admitted into evidence in any judicial or administrative proceeding against the Respondent to enforce such terms. Respondent acknowledges that it has had a full opportunity to seek and receive advice of counsel on all matters related to this Stipulation and Consent Order.

8. This Agreement contains all of the terms and conditions agreed to by the parties and constitutes the final agreement between the Respondent and the Department.

9. No change, amendment, or modification hereto shall be effective or binding unless it is in writing, dated, and signed by the parties.

10. If the Department fails to act on any one or more defaults by the Respondent, such failure to act shall not be a waiver of any rights hereunder on the part of the Department to declare the Respondent in default and to take such action as may be permitted by this Agreement or by law.

11. This Agreement may be signed in duplicate, and both documents shall be considered originals. The person executing this agreement on behalf of Respondent shall acknowledge his or her signature before a Notary Public and, by executing this agreement, certifies that he or she is duly authorized to execute this agreement on behalf of Respondent. Respondent agrees that an uncertified copy of this Agreement shall be valid as evidence in any proceeding for purposes of enforcement.

12. This Agreement shall survive the Respondent and be enforceable against its successors, transferors, or assigns.

