

**BEFORE THE DIVISION OF INSURANCE
DEPARTMENT OF LABOR AND REGULATION
STATE OF SOUTH DAKOTA**

**IN THE MATTER OF THE TARGET
MARKET EXAMINATION OF
FOREMOST AND FARMERS
INSURANCE GROUPS**

**FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER**

On April 8, 2015 the Target Market Conduct Examination Report ("Report") for Foremost Insurance Company and Foremost Property & Casualty Company ("Foremost Companies"), and Farmers Insurance Exchange, Fire Insurance Exchange, and Mid-Century Insurance Company ("Farmers Companies"), was submitted to the companies. The address of record of the Foremost Companies is 5600 Beach Tree Lane, Caledonia, Michigan 49316-0050, and the address of record of the Farmers Companies is 6301 Owensmouth Avenue, Woodland Hills, CA 91367. On May 7, 2015, the Foremost and Farmers Companies submitted responses to the Director of the South Dakota Division of Insurance ("Division") for his consideration and review pursuant to SDCL § 58-3-12. The Director reviewed the Report and makes the following Findings of Fact, Conclusions of Law and Order, pursuant to SDCL § 58-3-12 and SDCL Chapter 1-26:

FINDINGS OF FACT

I.

The Foremost Companies and Farmers Companies are insurers licensed in South Dakota and subject to examination pursuant to SDCL § 58-3-1.

II.

On August 3, 2012, the Director of the Division issued an Order for Examination of the Foremost Companies and Farmers Companies.

III.

A Target Market Conduct Examination of the Foremost Companies and Farmers Companies was conducted that covered the period from January 1, 2009 through June 30, 2012, unless otherwise noted in the Report.

IV.

The Target Market Conduct Examination of the Foremost Companies and Farmers Companies resulted in a Report which the Division has reviewed.

V.

The finalized Report was filed with the Division on April 2, 2015.

VI.

The Report was transmitted by the Division to the Foremost Companies and Farmers Companies via Electronic Mail and U.S. First Class Mail on April 8, 2015.

VII.

The Foremost Companies and Farmers Companies received the Report via Electronic Mail on April 8, 2015.

VIII.

The Foremost Companies and Farmers Companies provided a written response to the Report to the Division via Electronic Mail pursuant to SDCL § 58-3-12.

IX.

The Director has considered and reviewed the Report and the Foremost Companies and Farmers Companies written responses.

X.

The Foremost Companies and Farmers Companies responses have been considered by the Director and the Companies correctly identified a scrivener's error which has been corrected in the version of the Report adopted by this Order.

XI.

The Director determined that no substantial discrepancies exist between the Report and the Foremost Companies and Farmers Companies written response.

XII.

To the extent any of the foregoing are improperly designated and are instead conclusions of law, they are hereby redesignated and incorporated herein as Conclusions of Law.

CONCLUSIONS OF LAW

I.

The Director of the Division has jurisdiction over this matter pursuant to SDCL Chapter 58-3.

II.

SDCL §§ 58-3-12 and 58-3-17 require the Director to issue an Order in this matter, pursuant to SDCL Chapter 1-26. The Report may be adopted as filed or with modifications or corrections, or the Report may be rejected in full, or the Director may call for an investigatory hearing.

III.

Pursuant to SDCL § 58-3-17, the Foremost and Farmers Companies must serve its directors with a copy of this Order and the Report and file affidavits from the directors with the Division stating they have received a copy of the Order and Report.

IV.

Pursuant to SDCL §§ 1-27-1.5(5) and 58-3-14, the Report, including the Foremost and Farmers Companies responses, is not open to public inspection for a period of 30 days after the date of this Order.

V.

Pursuant to SDCL § 58-3-25, the Director has the authority to set forth the time frame for implementation of the Report recommendations.

VI.

To the extent any of the foregoing are improperly designated and are instead findings of fact, they are hereby redesignated and incorporated herein as Findings of Fact.

ORDER

It is hereby ORDERED pursuant to SDCL § 58-3-12(1), that the contents of the Report are adopted with the correction for the scrivener's error; and it is further

ORDERED pursuant to SDCL § 58-3-17, that the Foremost Companies and Farmers Companies are to serve a copy of the Order and Report on each member of their respective Boards of Directors; and it is further

ORDERED pursuant to SDCL § 58-3-17, that within 30 days of the date of this Order, the Foremost Companies and Farmers Companies shall file affidavits with the Division, executed by each member of their Boards of Directors, stating that they have received a copy of the Order and Report; and it is further

ORDERED that the Director will provide the Foremost Companies and Farmers Companies 20 days to propose the time frame for implementation of the Report recommendations; and it is further

ORDERED that after 20 days has passed, the Director will set the time frame for implementation of the Report recommendations; and it is further


ORDERED that once the time frame has been set, the Foremost and Farmers Companies shall comply with the Report recommendations and shall continue to follow the policies and procedures that have been put in place during the course of the examination and those subsequent to the examination's completion; and it is further

ORDERED that the Director will release the adopted Report in compliance with SDCL § 58-3-14 unless a court of competent jurisdiction stays its publication; and it is further

ORDERED that this Order may not be used by any person for any competitive purpose or used in a manner that would violate SDCL Chapter 58-33.

This Order may be appealed to the Circuit Court and South Dakota Supreme Court pursuant to SDCL Chapter 1-26.

Dated this 3rd day of June, 2015.



Larry Deiter, Director
South Dakota Division of Insurance
124 S. Euclid Ave.
2nd Floor
Pierre, SD 57501

CERTIFICATE OF SERVICE

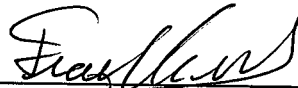
I, Frank Marnell, the undersigned, do hereby certify that on this 3rd day of June, 2015, a true and correct copy of the Findings of Fact, Conclusions of Law and Order with respect to the above-entitled action was sent U.S. First Class Mail thereon, to the following:

Dennis Duncan
Zimmer, Duncan & Cole
120 N. Main St.
P.O. Box 550
Parker, SD 57053

Farmers Insurance Group
6301 Owensmouth Avenue
Woodland Hills, CA 91367

Foremost Insurance Group
5600 Beach Tree Lane
Caledonia, MI 49316-0050

Dated this 3rd day of June, 2015 in Pierre, South Dakota.



Frank A. Marnell, Senior Legal Counsel
South Dakota Division of Insurance
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Pierre, SD 57501