BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF OKLAHOMA

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INSURANCE COMMISSIONER
OKLAHOMA

IN RE:	Examination of STATE FARM FIRE AND CASUALTY COMPANY (Targeted Market Conduct Examination)	Case No. 22-0423-EXM

ORDER ADOPTING REPORT OF EXAMINATION

COMES NOW the State of Oklahoma, ex rel. Glen Mulready, Insurance Commissioner, and issues this Order adopting the Report of the Targeted Market Conduct Examination for State Farm Fire and Casualty Company (the "Report") based on the following:

JURISDICTION

1. Glen Mulready is the Insurance Commissioner of the State of Oklahoma and, as such, is charged with the duty of administering and enforcing all provisions of the Oklahoma Insurance Code, 36 O.S. §§ 101 et seq., including 36 O.S. §§ 309.1 through 309.7.

2. State Farm Fire and Casualty Company (the "Company") is an insurer authorized to transact property and casualty insurance in the state of Oklahoma pursuant to SBS Company Number 44196205 and NAIC CoCode 25143.

FINDINGS OF FACT

3. The Oklahoma Insurance Department (the "OID" or "Department") conducted a targeted Market Conduct Examination (the "Examination") of the Company. The period of the Examination was January 1, 2019 through December 21, 2024, and subsequent events through the current date (the "Period").

4. On or around September 30, 2026, the verified Report was filed with the Department.

5. In accordance with 36 O.S. § 309.4(B), the Department transmitted the Report to the Company, and the Company was afforded the statutory period of twenty (20) days within which to make a written submission or written rebuttal to the Insurance Commissioner concerning any matters contained in the Report. The Company submitted a timely written rebuttal on October 21, 2026.

6. Pursuant to 36 O.S. § 309.4, the Commissioner has twenty (20) days to adopt the Examination Report, or take other action in accordance with that statute. The Commissioner fully considered and reviewed the report, the written rebuttal, and other submissions by the Company prior to entering this Order.

7. The Report containing the findings of the Examiner is incorporated as if fully set forth herein. *See* Exhibit "A", Report of the Targeted Market Conduct Examination. The Examination Report adopted by the Insurance Commissioner includes the following findings:

a. After review of the forty-two (42) claims files, the Company is deemed to be in violation of the Unfair Claims Settlement Practices Act, specifically 36 O.S. § 1250.7(A). In three (3) instances, or 1.66% of 181 files in the sample, because the Respondent failed to notify the claimant in writing that the claim was being denied or failed to retain a copy of such denial in writing in the CWOP claim file.

b. The Respondent failed to comply with the Unfair Claims Settlement Practices Act, specifically 36 O.S. § 1250.5(4), in at least twenty-two (22) instances from November 1, 2023 through December 31, 2024 by failing to make a good-faith effort to promptly, fairly, and equitably settle roofing claims for which liability had become reasonably clear. Twenty-two (22) errors out of 181 files provides a sample proportion of 12.15% errors, with a 95% Confidence Interval of [7.49%, 16.82%].

c. The Company failed to comply with 36 O.S. § 309.3 which requires timely production of records responsive to reasonable written requests of the Examiners.

8. Pursuant to 36 O.S. § 309.4(E), the Insurance Commissioner "shall continue to hold the content of the examination report as private and confidential for a period of two (2) days" following the issuance of this Order.

9. Pursuant to 36 O.S. § 309.4(F), all working papers, recorded information, and documents produced by, obtained by, or disclosed to the Insurance Commissioner and the examiners in the course of market conduct examination "shall be given confidential treatment and are not subject to subpoena and may not be made public by the Commissioner or any other person," except in accordance with the specific exceptions listed in the statute.

CONCLUSIONS OF LAW

10. Pursuant to 36 O.S. § 309.4(C), following a review of the Report, the Company's rebuttal, and other examination and investigation material, the Insurance Commissioner deems it necessary and appropriate to issue this Order adopting the Report as filed.

11. The Findings of Fact above are hereby adopted and incorporated by reference in these Conclusions of Law as if fully set forth herein.

ORDER

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED by the Insurance Commissioner that the Report of the Targeted Market Conduct Examination of State Farm Fire and Casualty Company shall be and hereby is approved and adopted as filed.

IT IS FURTHER ORDERED by the Insurance Commissioner that the Company shall file within (30) days with the Oklahoma Insurance Department, in accordance with 36 O.S. § 309.4(D)(1), affidavits executed by each of its directors stating under oath that each director has received a copy of the Report and the related Order.

IT IS FURTHER ORDERED by the Insurance Commissioner that fines and/or additional enforcement actions, if any, for the violations set out in this Order may be handled appropriately in a separate administrative proceeding.

IT IS FURTHER ORDERED by the Insurance Commissioner that to address the issues documented in the Report, the Company shall, within thirty (30) days from receipt of this Order, develop a Corrective Action Plan (the "CAP") to be submitted for review by the Commissioner. The CAP shall include detailed steps the Company will take to come into full compliance with the Oklahoma Insurance Code. The CAP, consisting of written documentation of remedial measures, shall be addressed to the attention of the Market Conduct Division, Oklahoma Insurance Department, 400 NW 50th St., Oklahoma City, Oklahoma 73105.

Pursuant to 36 O.S. § 309.4(D)(1), this Order is considered a final administrative decision and may be appealed pursuant to the Administrative Procedures Act, 75 O.S. §§ 250 through 327.

WITNESS My Hand and Official Seal this 10th day of November, 2026.

GLEN MULREADY
INSURANCE COMMISSIONER
STATE OF OKLAHOMA

CERTIFICATE OF MAILING

I, Nicole M. Nash, hereby certify that a true and correct copy of the above foregoing *Order Adopting Report of Examination* was mailed by certified mail postage prepaid with return receipt requested, along with electronic mail, on this 10th day of November, 2026, to:

State Farm Fire and Casualty Company
Attn: Steve Simkins
Care of: Erin Engle
1 State Farm Plaza
Bloomington, IL 61710
Steve.Simkins.le1o@statefarm.com

CERTIFIED MAIL NO.
9589 0710 5270 3996 5769 76

Counsel for State Farm Fire and Casualty Company

and that a copy was delivered to:
The Oklahoma Insurance Department Financial Division.

Nicole M. Nash
General Counsel
Oklahoma Insurance Department

OKLAHOMA INSURANCE DEPARTMENT

Report of the

TARGETED MARKET CONDUCT EXAMINATION

OF

State Farm Fire and Casualty Company
NAIC Company Code 25143
One State Farm Plaza
Bloomington, IL 61710

For the Period January 1, 2019 through
December 31, 2024, and subsequent events to Present Date

EXAMINATION REPORT PREPARED BY
INDEPENDENT CONTRACTORS FOR
THE OKLAHOMA INSURANCE DEPARTMENT

September 30, 2026

EXHIBIT
A

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SALUTATION

September 30, 2026

Honorable Glen Mulready
Insurance Commissioner
State of Oklahoma
400 NE 50th Street
Oklahoma City, OK 73105

Commissioner Mulready:

Pursuant to your instructions and in compliance with the provisions of Title 36 of the Oklahoma Statutes, Rules, Regulations and Procedures of the Oklahoma Insurance Department, and the procedures established by the National Association of Insurance Commissioners, an examination of the market conduct activities has been conducted of:

State Farm Fire and Casualty Company
(NAIC Number: 25143)

One State Farm Plaza
Bloomington, Illinois 61710

The report thereon, as of September 30, 2026, is herein respectfully submitted.

I. Scope of the Examination

The Oklahoma Insurance Department ("OID" or the "Department") conducted a targeted Market Conduct Examination (the "Examination") of State Farm Fire and Casualty Company ("State Farm" or "Company") to include analyses of certain operations of the Company as follows: Company Operations and Management; Complaint Handling; Policyholder Services; and Claims Handling. The initial period of the Examination was January 1, 2019 through February 28, 2022, including subsequent events through the current date (the "Period").

The Examination commenced on May 9, 2022 and was called pursuant to 36 O.S. §§ 309.1 - 309.7. The Department retained Lewis & Ellis, Inc ("L&E" or "Examiners") to assist the Department with the Examination.

This Report of Examination (the "Report") reflects the Oklahoma insurance activities of State Farm. The Examination was conducted under the direction and overall management and control of the OID.

The Report is a report by exception. References to practices, procedures, or files that did not contain exceptions are limited. All unacceptable or non-complying practices may not have been identified. The failure to identify specific Company practices does not constitute acceptance of these practices.

L&E personnel participated in this Examination in their capacity as Market Conduct Examiners. L&E contracted, in consultation with OID, with professional engineering firms to conduct certain portions of the examination. L&E provides no representations regarding questions of legal interpretation or opinion. Determination of findings constituting violations or potential violations is the sole responsibility of OID. All statutory citations or any other legal interpretations included herein are confirmed by OID for inclusion in this Report. In reviewing materials for this Report, the Examiners relied upon records provided by the Company, inspection reports of storm damage to claimants' roofs provided by the independent third-party engineer, and public court documents from litigation involving the Company in the state of Oklahoma. Engineering inspections and reports were conducted objectively and independent of Company's claim files. In an effort to avoid introducing bias to the inspection process the engineering firms had no access to Company claim files, Company claims determinations or deductible amounts, nor was the Company's identification disclosed to the engineering firms by the Examiners or OID staff.

II. Company and Industry Profile

State Farm is a stock insurance company organized under the insurance laws of the State of Illinois. State Farm was incorporated on June 12, 1935 and commenced business on June 29, 1935. State Farm was first licensed to do business in the State of Oklahoma on April 16, 1936. State Farm has been licensed continuously since that time.

State Farm Fire writes property and casualty insurance, primarily homeowners and commercial property and liability insurance, as well as workers compensation insurance. The company is licensed in all fifty (50) states and the District of Columbia. State Farm is a wholly-owned subsidiary of State Farm Mutual Automobile Insurance Company.

During the Period, A.M. Best Company, which provides an independent opinion of an insurer's ability to meet policyholder obligations, provided its highest rating of A++ (superior) to the Company. The number of Oklahoma policies in force and the associated written premium for the Company is referenced below.

OKLAHOMA HOMEOWNERS POLICIES IN FORCE FOR THE PERIOD

Year	State Farm Fire & Casualty Homeowners National Policy Counts	State Farm Fire & Casualty Homeowners Oklahoma Policy Counts
As of December 31, 2025	12,609,135	258,889
As of December 31, 2024	12,295,806	253,327
As of December 31, 2023	11,821,989	242,137
As of December 31, 2022	11,367,577	225,668
As of December 31, 2021	11,078,474	220,096
As of December 31, 2020	10,798,795	216,037
As of December 31, 2019	10,540,737	211,363

Source: State Farm Fire and Casualty Company (Excluding Farm/Ranch, HO-6, MH, RDP, RCUP and HO-4)

OKLAHOMA HOMEOWNERS WRITTEN PREMIUM FOR THE PERIOD

Year	State Farm Fire & Casualty National Premium	State Farm Fire & Casualty Oklahoma Premium
As of December 31, 2025	$22,038,034,277	$785,904,969
As of December 31, 2024	$19,351,005,954	$700,982,260
As of December 31, 2023	$16,351,664,602	$581,303,672
As of December 31, 2022	$14,935,739,142	$516,817,736
As of December 31, 2021	$13,626,189,729	$478,460,815
As of December 31, 2020	$12,257,402,153	$435,293,823
As of December 31, 2019	$11,633,648,880	$406,915,821

Source: State Farm Fire and Casualty Company (Excluding Farm/Ranch, HO-6, MH, RDP, RCUP and HO-4)

III. Examiners Methodology

The Examination is based on standards and testing approved by the OID and based on the National Association of Insurance Commissioners ("NAIC") methodology. The NAIC 2022 *Market Regulation Handbook* ("the Handbook") Standards and Oklahoma statutes and administrative rules served as the basis for this Examination.

The Examiners' workplan was prepared using the guidance and standards of the Handbook and specific matters as determined by the OID and Oklahoma insurance laws. Development of the workplan involved a targeted examination approach, which was performed following the review of preliminary data requests, interviews with management, and consultation with the OID. Following the Examiners' review of State Farm's responses to the Examiners' interrogatories and information

data requests, interviews were conducted in collaboration with the OID and key management and operational personnel made available by the Company.

During the course of the Examination, the Examiners reviewed and tested randomly selected samples, using the random sample tool in Excel®, related to complaint handling practices and procedures, policyholder service practices and procedures, and claims handling practices and procedures. The Examiners recommended a random sampling methodology and approach, which was approved by the OID. All Examination procedures were performed under the management, control, and general supervision of the OID.

Specifically, the Examination focused on a review of the following areas:

1. Company Operations and Management;
2. Complaint Handling;
3. Policyholder Services; and,
4. Claims Handling.

The review of these areas was accomplished through the examination of Company records, including, but not limited to, policies and procedures, underwriting files, claim files, operations and management materials, and complaint files. Subsequent to the review of claim files provided by the Company, the OID determined a more in-depth review of wind/hail roof claims that were denied and/or closed without payment (collectively referred to as "CWOP") was appropriate. Further claims investigation was conducted through the utilization of professional engineers with experience in evaluating wind/hail and storm damage to roofs. The opinions of the professional engineers were considered in preparation of this Report.

Prior to and during the Examination, there was a significant increase in the number of consumer complaints made to OID. Additionally, a significant number of lawsuits were filed against the Company in the State of Oklahoma. Plaintiffs' allegations include bad faith, insurer liability, and breach of contract related to their homeowners insurance policies with State Farm, specifically related to roof claims. In or around August 2026, in *West v. State Farm Fire and Casualty Company,* Case No. CJ-2025-135, District Court in and for Comanche County, Oklahoma (hereinafter, the "*West Case*"), the District Court unsealed State Farm internal documents spanning from April 2020 through January 2024. (See Attachment A.) The Plaintiffs' response and counter motion, along with all unsealed exhibits, were reviewed by the Examiners and the OID. State Farm internal communications and documents unsealed publicly in the *West Case* reference documentation and information that is responsive to the Examiners' interrogatories and data requests and was not timely produced. Only relevant information and documentation were considered in preparation of this Report.

The Report focuses on improper practices by the Company that resulted in failure to comply with Oklahoma statutes and/or administrative rules. Criticisms were prepared and delivered to the Company addressing violations identified during the Examination. State Farm was given thea opportunity to respond to those Criticisms, which were considered in preparation of this Report.

A. Company Operations and Management

The Examiners submitted multiple Information Data Requests ("IDRs") throughout the course of the Examination, for which the Company provided responses. The Examiners prepared an initial data request, which included a variety of background information concerning the Company, including its policies and procedures. The Examiners reviewed the operations and management-related information from the Company. Responses were reviewed to determine compliance with the examination standards set forth in the Handbook and with Oklahoma insurance statutes and administrative rules.

B. Complaint Handling

The Examiners submitted IDRs during the Examination, for which the Company provided responses. A review of the Company's complaint logs as compared to the OID's complaint information was also performed. Excel® was used to select random samples from the Company complaint logs, which were provided for the Period. Complaint files were reviewed and tested for compliance with the examination standards set forth in the Handbook and with Oklahoma statutes and administrative rules.

C. Policyholder Services

The Examiners submitted IDRs during the Examination, for which the Company provided responses. The Examiners reviewed cancellation and non-renewal files to determine compliance with the examination standards set forth in the Handbook and with Oklahoma insurance statutes and administrative rules.

D. Claims Handling

The Examiners submitted IDRs throughout the course of the Examination, for which the Company provided responses. Additionally, the Examiners conducted interviews of the Company's claim management and operational personnel, both internal and contracted, who were made available by State Farm and were, or should have been, knowledgeable of the Company's claim handling processes, practices, and procedures. The Examiners conducted a review of wind/hail claims. Excel® was used to select a random sample of claims for the examination period to test for compliance with the examination standards set forth in the Handbook and with Oklahoma insurance statutes and administrative rules. Subsequent to the Examiners' review of the claim files provided by the Company, OID determined it was appropriate and necessary to engage a professional engineering firm to conduct field inspections of CWOP claims. As such, L&E contracted with Hall Engineering Inspections, LTD ("Hall Engineering"). On November 9, 2023, the Examiners required State Farm to produce an updated population of closed paid and denied wind/hail claims for the time period of March 1, 2022 through October 31, 2023.

The Handbook's two-stage sampling method was used. Pursuant to the Market Regulation Handbook, a benchmark error rate of 7% has been established for auditing claims practices. First, an Acceptance Sample was performed to potentially rule out the possibility that a given error rate is above the Handbook's 7% benchmark. The Acceptance Sample was made from the population of CWOP wind/hail claims of the two storm events with the largest claim

volume in 2023. This population was 2,101. The Market Regulation Handbook outlined that 108 claims be used for the Acceptance Sample. (See Section VII, Figure 1). A partial convenience sample was used to make up the sample of 108, which included twenty (20) OID complainants and eighty-eight (88) randomly selected CWOP claims. The choice of a partial convenience sample came from an effort to bolster participation by reaching out to those that had familiarity with the OID and its role of insurance regulation.

Claimants were contacted via mail, phone, and email in attempts to gain their participation and consent for an engineer to inspect their roofs. Out of the 108 samples, only twenty (20) roofs were viable for inspection due to various reasons, including, but not limited to, lack of response and consent, sale of the home, or previous repair/replacement of the roof.

Roof inspections for this Acceptance Sample were performed in 2024 with the following results:

- Twenty (20) roof inspections were performed.
    - Fourteen (14) inspections were valid, unrepaired roofs in scope of the investigation.
        - Twelve (12) inspection results were contradictory to the Company's claim notes and decisions and are considered errors. This included Company decisions of no damage found, damage amounts being minimal such as soft metals only, and/or roof damage amounts under the insured's deductible.
    - One (1) inspection already had a full roof replacement and was not considered an error.
    - Five (5) were found to need repairs but would require further analysis in the form of a reliable way to perform a cost estimate to compare with the claimant's deductible. With twelve (12) confirmed errors, this additional time and expense was not necessary. Therefore, these five (5) results were not considered errors.

Pursuant to the Handbook, with an error count of at least three (3), the Acceptance Sample fails, triggering the need to perform a larger second sample (hereinafter, the "Primary Sample") and evaluation. (See Section VII, Figure 1.)[1]

From the Acceptance Sample, the Handbook provides a formula for determining the Primary Sample size: Using the valid 2024 data for the error rate of 12/14, a Margin of Error ("MOE") of 5%, and a population of 4,674 claims, the formula calculates a sample size of 181. (See Section VII, Figure 2.M1.) The Primary Sample was fully random from an April 3, 2025 data request of the population of CWOP Hail/Wind roof claims from the Company during the period of November 1, 2023 through December 31, 2024.

Of the first 181 claims sampled, twenty-six (26) roofs were already repaired making them unable to be measured for valid results. In addition, ten (10) homes were no longer owned by the claimant, making it difficult to contact, gain access, and/or track repairs. Therefore, 19.89% of the first 181 claims were unmeasurable and necessary to discard. As a result, alternate claims

[1] In the 2024 Acceptance Sample, three (3) of the twenty (20) OID complainants were included in the twenty (20) roofs inspected. If those were to be excluded from the results the error count is still three (3) or greater.

were included using the random sample tool in Excel®--again discarding any alternate claims for homes that were sold (which was five (5)) or for which the roof had already been repaired (which was five (5))—until a final sample of 181 was reached.

The final 181 claim sample included claimants that were unable to be contacted due to invalid contact information listed in the Company's claim files. The 181 sample also included claimants who never responded to the Department's communication attempts.

Fifty-eight (58) of the 181 claimants responded and consented to have their roofs inspected. Hall Engineering was utilized for the Acceptance Sample and began inspecting the Primary Sample. Hall Engineering's sole Professional Engineer, passed away in September 2025 prior to any substantial completion of the roof inspections for the Primary Sample. L&E then contracted with Cherry PI Engineering, LLC ("CP") to conduct roof inspections and to produce all fifty-eight (58) engineering reports. Therefore, 123 of the 181 were not reviewed by the Examiners or the engineers due to lack of response from the claimants or claimant's choice to not participate. This caused the Examiners and engineers to be unable to confirm or deny contradictory results for 67.96% of the sample. The Company is therefore being given the benefit of no errors in 67.96% of the sample selection due to said roofs not being available for review.

Using a sample size of 181 claims from a population of 4,674, at thirteen (13) errors the point estimate for the error rate exceeds the 7% error benchmark. Once twenty-one (21) errors are reached, the 95% confidence interval around the point estimate exceeds the 7% error benchmark, making the results statistically significant. (See Section VII, Figure 2.M2.)

The final 181 sample resulted in twenty-two (22) errors of the fifty-eight (58) roofs reviewed. These twenty-two (22) were found to need full roof replacements or repairs above deductible and were contrary to the Company's results of closed without payment.

IV. Examination Executive Summary

The following is a summary intended to provide a high-level overview of the results of the Examination and all substantive issues that were identified. The details regarding the scope of the Examination, the testing that was performed, and findings and observations from the Examination are discussed further within the Report.

The Market Conduct Examination identified the following findings:

A. Company Operations and Management

Finding #3:

The Examiners submitted interrogatories and multiple IDRs to State Farm throughout the course of the Period. These interrogatories and IDRs requested information and documents related to State Farms roofing claims handling, practices, and procedures and any changes to the same.

State Farm internal communications and documents unsealed publicly in the *West Case* reference documentation and information that is responsive to the Examiners' data requests and was not timely produced.

The Company's failure to timely provide responsive records is deemed to be in violation of 36 O.S. § 309.3(B).

B. Complaint Handling

No Findings.

C. Policyholder Services

No Findings.

D. Claims Handling

For their initial review of claims, the Examiners, utilizing the random sample tool in Excel®, selected a random sample of 108 CWOP claims from a population of 9,619 CWOP claims closed during the time period of January 1, 2019 through February 28, 2022. On November 9, 2023 a request was made for an updated CWOP population for the time period of March 1, 2022 through October 31, 2023, as discussed above. The new population was 2,101 CWOP claims and a new sample of 108 claims were selected for the Acceptance Sample. L&E contracted with a professional licensed engineering firm to conduct onsite roof inspections of twenty (20) roofs where claimants responded to letters sent by OID authorizing the inspection of their roofs. The failure of the Acceptance Sample with twelve (12) errors determined a larger Primary Sample was necessary and appropriate.

The Examiners requested an updated population of CWOP claims on April 3, 2025. The Examiners, utilizing the random sample tool in Excel®, selected a sample of 181 claims from the updated population of 4,674 CWOP claims closed during the time period of November 1, 2023 through December 31, 2024. As explained in the Claims Handling Section III.D, a final sample of 181 claims were selected for on-site inspection by professional engineers to assess potential storm damage to the surface of the roof. OID reached out to each of the selected claimants to obtain permission to have engineers conduct onsite inspections of the claimants' roof. Fifty-eight (58) claimants responded and granted permission for the engineers to inspect their roofs. The Examiners only reviewed specific State Farm claims files for those individuals who responded and granted permission to have their roofs inspected.

Finding #1:

There was a total of fifty-eight (58) claimants who authorized the engineering firm to evaluate their roofs. In instances where the engineers determined the roof did not warrant repair or replacement, the Examiners did not request claim files. The Examiners requested forty-five (45) claim files and reviewed forty-two (42) specific claims files, issuing Data Requests IDR 4 & IDR 4A through 4E. The review of claims files was limited to instances where the engineers had inspected the roofs of claimants who gave consent for their roof to be evaluated by an engineer.

After review of the forty-two (42) claims files, the Company is deemed to be in violation of the Unfair Claims Settlement Practices Act, specifically 36 O.S. § 1250.7(A), in three (3) instances, or 1.66% of 181 files in the sample, because the Company failed to notify the claimant in writing that the claim was being denied or failed to retain a copy of such denial in writing in the CWOP claim file.

Finding #2:

The Department received consent from fifty-eight (58) claimants wherein authorization for an independent engineer to inspect their roofs was granted. The purpose of the review was to determine the Company's compliance with Oklahoma's Unfair Claim Settlement Practices Act, 36 O.S. §§ 1250.1 to 1250.17.

The results of the Engineer's review are as follows:

- No storm-related damage noted—twenty-three (23) instances;
- Roof damage but not able to isolate damage to a specific storm-—eight (8) instances;
- Storm-related damage identified and roof repair is warranted—fourteen (14) instances; and
- Storm-related damage identified and roof replacement is warranted—thirteen (13) instances.

The Examiners note that in twenty-seven (27) instances the engineers determined that storm-related roof damage was sufficient to warrant roof repairs or replacement. The Examiners requested the engineering firm calculate estimates of roof repair or replacement costs based upon prevailing costs at the time of the Company's claims determination. The Examiners reviewed the estimates of cost to repair the roofs provided by the engineering firm and determined that in twenty-two (22) of the twenty-seven (27) instances the engineering firm's estimates of repair or replacement exceeded the insured's policy deductible, contrary to State Farm's determinations on those claims.

The Company is deemed to be in violation of 36 O.S. § 1250.5(4) in twenty-two (22) instances from the sample. Twenty-two (22) errors out of 181 claims provides a sample error rate of 12.15%, with a 95% Confidence Interval of [7.49%, 16.82%]. Since the range for the population estimate is entirely above the benchmark of 7%, the assumption that the population has an error of 7% or less can be rejected in favor of accepting that the error in the population is greater than 7%.[2] The violations noted constitute failure to comply with the Unfair Claims Settlement Practices Act, specifically 1250.5(4), since the Company, in greater than 7% of its roofing claims from November 1, 2023 through December 31, 2024, failed to "attempt[] in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear."

[2] It is important to note that if the Examiners were to consider only the measured roofs as the sample, twenty-two (22) of fifty-eight (58) roofs results in a sample error rate of 37.93%, with a 95% Confidence Interval of [25.52%a50.34%].

V. Examination Risk Assessment

The Examiners requested and reviewed documents furnished by the Company related to State Farm's policies, practices, and procedures and interviewed representatives of the Company related to certain scope areas. The Examiners assessed the specific information furnished for potential compliance risk. As a result, the areas discussed below are considered moderate or high risk, and consistent with the Examiners' recommendations. Further review and testing was completed related to the following areas and Handbook Standards:

A. Company Operations and Management

- Chapter 20, Standard 1—The regulated entity has an up-to-date, valid internal or external audit program.
- Chapter 20, Standard 5—Contracts between the regulated entity and entities assuming a business function or acting on behalf of the regulated entity, such as, but not limited to, managing general agents (MGAs), general agents (GAs), third party administrators (TPAs) and management agreements, must comply with applicable licensing requirements, statutes, rules and regulations.
- Chapter 20, Standard 6—The regulated entity is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the regulated entity.
- Chapter 20, Standard 7—Records, are adequate, accessible, consistent, and orderly and comply with state record retention requirements.
- Chapter 20, Standard 9—The regulated entity cooperates on a timely basis with examiners performing the examinations.

B. Complaint Handling

- Chapter 20, Standard 1—All complaints are recorded in the required format on the regulated entity's complaint register.
- Chapter 20, Standard 2—The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.
- Chapter 20, Standard 3—The regulated entity takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations and contract language.
- Chapter 20, Standard 4—The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules and regulations.

C. Policyholder Service

- Chapter 20, Policyholder Service – Standard 1—Premium notices and billing notices are sent out with an adequate amount of advance notice.
- Chapter 20, Policyholder Service – Standard 2—Policy issuance and insured-requested cancellations are timely.
- Chapter 20, Policyholder Service – Standard 5—Policy transactions are processed accurately and completely.

- Chapter 20, Policyholder Service – Standard 7—Unearned premiums are correctly calculated and returned to the appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations.

D. Claims Handling

- Chapter 20, Standard 1—The initial contact by the regulated entity with the claimant is within the required timeframe.
- Chapter 20, Standard 2—Timely investigations are conducted.
- Chapter 20, Standard 3—Claims are resolved in a timely manner.
- Chapter 20, Standard 4—The regulated entity responds to claim correspondence in a timely manner.
- Chapter 20, Standard 5—Claim files are adequately documented.
- Chapter 20, Standard 6 and Chapter 24, Claims - Standard 1—Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.
- Chapter 20, Standard 7—Regulated entity claim forms are appropriate for the type of product.
- Chapter 20, Standard 8—Claim files are reserved in accordance with the regulated entity's established procedures.
- Chapter 20, Standard 9—Denied and closed-without-payment claims are handled in accordance with policy provisions and state law.
- Chapter 20, Standard 10—Canceled benefit checks and drafts reflect appropriate claim handling practices.
- Chapter 20, Standard 11—Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.
- Chapter 21, Standard 1—Regulated entity uses the reservation of rights and excess of loss letters, when appropriate.

VI. Factual Findings

A. Claims Handling

Finding #1 - Failure to advise the claimant in writing of the denial of a claim.

Chapter 20, Standard 5 - Claim files are adequately documented.

Oklahoma Insurance Law and Regulation References:

36 O.S. § 1250.7 Property and casualty insurer - Denial or acceptance of claim, states in part:

A. Within sixty (60) days after receipt by a property and casualty insurer of properly executed proofs of loss, the first party claimant shall be advised of the acceptance or denial of the claim by the insurer, or if further investigation is necessary. No property or casualty insurer shall deny a claim because of a specific policy provision, condition or exclusion unless reference to such

provision, condition, or exclusion is included in the denial. ***A denial shall be given to any claimant in writing, and the claim file of the property or casualty insurer shall contain a copy of the denial.*** If there is a reasonable basis supported by specific information available for review by the Commissioner that the first party claimant has fraudulently caused or contributed to the loss, a property and casualty insurer shall be relieved from the requirements of this subsection. In the event of a weather-related catastrophe or a major natural disaster, as declared by the Governor, the Insurance Commissioner may extend the deadline imposed under this subsection an additional twenty (20) days. (emphasis added.)

Examiner Comment:

The Examiners selected a Primary Sample of 181 CWOP claims from a total population of 4,674 CWOP claims during the time period of November 1, 2023 through December 31, 2024. The Examiners reviewed forty-two (42) specific claims files, issuing IDR 4 & IDR 4A through 4E requesting the claims files. The review of claims files was limited to instances where the engineers had inspected the insured roofs for those claimants who responded to the Oklahoma Insurance Department's invitation to have the claimant's roof evaluated by an independent engineering firm. There was a total of fifty-eight (58) claimants who authorized the engineering firm to evaluate their roofs. The purpose of the review was to determine the Company's compliance with Oklahoma insurance laws.

The Examiners noted that in three (3) instances the claims file did not contain written notice to the claimant of the claim denial in violation of 36 O.S. § 1250.7(A).

Closed Without Payment Violations

CWOP Population	CWOP Sample Size	Number of Files Reviewed	Number of Errors	Error Percentage
4,674	181	42	3	1.66%

State Farm was not in compliance with 36 O.S. § 1250.7(A) in three (3) instances in that the Company did not issue denial letters, or the claims file did not contain such letters, for roofing claims as required by Oklahoma insurance law.

Finding #2 – Failure to attempt in good faith to effectuate prompt, fair and equitable settlement of claims.

Chapter 20, Standard 9 - Denied and closed without payment claims are handled in accordance with policy provisions and state law.

Chapter 20, Standard 11 - Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.

Oklahoma Insurance Law and Regulation References:

36 O.S. § 1250.3 Application of Law; Conditions Under Which Acts Constitute Unfair Claims Settlement Practices.

A. The provisions of the Unfair Claims Settlement Practices Act shall apply to all claims arising under an insurance policy or insurance contract issued by any insurer.
B. It is an unfair claim settlement practice for any insurer to commit any act set out in Section 1250.5 of this title, or to commit a violation of any other provision of the Unfair Claim Settlement Practices Act, if:
    1. It is committed flagrantly and in conscious disregard of this act or any rules promulgated hereunder; or
    2. It has been committed with such frequency as to indicate a general business practice to engage in that type of conduct.

36 O.S. § 1250.5 Unfair Claim Settlement Practices Act – Acts by an Insurer Constituting an Unfair Claim Settlement Practice, states in pertinent part:

> Any of the following acts by an insurer, if committed in violation of Section 1250.3 of this title, constitutes an unfair claim settlement practice ...: ... 4. Not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear;

Examiner Comment:

The Examiners selected a final sample of 181 CWOP claims from a total population of 4,674 CWOP claims during the time period ofNovember 1, 2023 through December 31, 2024. After discussion with the Department, it was concluded that to properly determine the Company's claims settlement practices it was necessary to contract with a professional licensed engineering firm to evaluate the condition of the roofs where the Company closed claims without payment. The Department sent correspondence to claimants whose claims resulted in no payment for storm-related damages. The Department received responses from fifty-eight (58) insureds wherein authorization for an independent engineer to inspect their roof was granted. Subsequently, the engineer inspected each of the fifty-eight (58) roofs where authorization was granted. The purpose of the review was to determine the Company's compliance with Oklahoma's Unfair Claim Settlement Practices Act. The other 123 claims of the 181 sample were unable to be inspected due to lack of response from the claimants or choice by the claimants to not participate. No determination was able to be made on this part of the sample, giving the Company the benefit of the doubt of no errors in 67.96% of the sample.

The results of the engineer's review are as follows:

- No storm related damage noted—twenty-three (23) instances;
- Roof damage but not able to isolate damage to a specific storm—eight (8) instances;
- Storm related damage identified and roofrepair is warranted—fourteen (14) instances; and

- Storm related damage identified and roof replacement is warranted—thirteen (13) instances.

The Examiners note that in twenty-seven (27) instances the engineer determined that storm-related roof damage was sufficient to warrant roof repairs or replacement. The Examiners requested the engineering firm calculate its estimates of roof repair costs based upon prevailing costs at the time of the Company's claims determinations. The Examiners reviewed the estimates provided by the engineering firm and determined that in twenty-two (22) instances the engineering firm's estimates of repair exceeded the insureds' policy deductibles, contrary to State Farm's determinations on those claims.

Unfair Claims Practices Act Violations

CWOP Population	CWOP Sample Size	Number of Files' Inspected Roofs	Number of Errors	Error Percentage	95% CI for the Population Error Percentage
4,674	181	58	22	12.15%	[7.49%, 16.82%]

The Company failed to comply with 36 O.S. § 1250.5(4) in twenty-two (22) instances by failing to make a good-faith effort to promptly, fairly, and equitably settle roofing claims for which liability had become reasonably clear.

B. Company Operations and Management

Finding #3 – Failure to timely provide records in response to Examiners' requests.

Chapter 20, Standard 9 - The regulated entity cooperates on a timely basis with examiners performing the examinations.

Oklahoma Insurance Law and Regulation References:

36 O.S. § 309.3 Commissioner to Appoint Examiners - Guidelines - Access to Records - Power to Issue Subpoenas - Construction of Act, states in part:

> B. Every company or person from whom information is sought, including all of its officers, directors, employees and agents, shall provide to the Commissioner and examiners timely, convenient, and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person shall facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any

license or authority held by the company to engage in an insurance or other business subject to the Commissioner's jurisdiction.

Examiner Comment:

The Examiners submitted interrogatories and multiple information requests to State Farm throughout the course of the Period. For example, the Examiners submitted "Initial Interrogatories" to the Company on May 2, 2022, which included, but was not limited to, requests for the following:

IV.7. Describe changes, if any, in roofing claims procedures which occurred during the period under examination.
- *a. Explain any reason for changes in roofing claims procedures.*
- *b. Provide copies of internal communications to internal adjusters related to changes in procedures, including, if any, explanations of how the changes affect the administration of roofing claims.*
- *c. Provide copies of communications to independent adjusters related to changes in procedures, including, if any, explanations of how the changes affect the administration of roofing claims.*

(See Attachment B, MCE OID-0007.)

As another example, on May 2, 2022, the Examiners submitted "Initial Data Requests" to State Farm, which included, but was not limited to, requests for the following:

IV.2. The following items should also be made available to the examiners:
- *a. Claim procedural manual for roofing claims, unless previously provided.*
- *b. Codes and keys used in processing claims (e.g., reason for denial codes).*
- *c. Documentation of method or system used for determination of reasonableness of charges submitted and paid.*
- *d. Copies of claim forms used, if any.*
- *e. Any other letters used by the Company during claims processing, including requests for additional information.*
- *f. A memorandum outlining:*
  1. *The claim service objectives in place during the examination period.*
  2. *The actual company results for each quarter during the examination period.*
  3. *How the Company calculates its claim service days.*

(See Attachment C, MCE OID-0009.)

State Farm responded to these requests on June 3, 2022. Rather than provide a description or memorandum, State Farm produced records to respond to the Examiners' requests. State Farm internal communications and documents unsealed publicly in the *West Case* in August 2026 reference records that were not timely provided to the Examiners. Attachment A, MCE OID-0001 to 0004 is a 3/20/2020 Email from State Farm Claims Consultant (Xactimate Expert) T. Moss referencing a 2020 Fire Property Claims Quality Plan that was released in early February 2020 but was not timely produced to the Examiners.

The Company failed to comply with 36 O.S. § 309.3 by failing to timely produce records responsive to reasonable written requests of the Examiners.

Examiner's Recommendations

The Examination findings identified above relate to potential matters with regard to the Company's oversight of the Company's claims processing policies and procedures which may constitute violations of applicable Oklahoma Statutes. As such, the following are offered as recommendations for the Company to work with the OID to address the violations noted and to mitigate any reoccurrence of the specific maters.

1. State Farm should develop a written corrective action plan (the Plan) to be submitted within thirty (30) days of receipt of the final report, for review and approval by the OID. The Plan should provide detailed steps to be taken to enhance future compliance with the referenced Oklahoma Codes and Statutes.

2. In each instance where the Company has implemented a corrective action plan to address the findings, the Company should provide an update to the OID regarding the status of each remediation and the timeline for completion.

[Examination Report continued on following page]

VII. Figures

Figure 1

Acceptance Samples Table

	Claims					Other				
A	B	C	D	E	F	G	H	I	J	K
Pop. (N)	Sample (n)	Error	% Error	P. Value, Pop=.07	Add for Claims	Sample (n)	Error	% Error	P. Value, Pop=.10	Add for Other
3,500	108	1	0.9%	0.3%	No	115	1	0.9%	0.0%	No
3,500	108	2	1.9%	1.5%	No	115	2	1.7%	0.0%	No
3,500	108	3	2.8%	4.8%	Yes	115	3	2.6%	0.2%	No
3,500	108	4	3.7%	11.5%	Yes	115	4	3.5%	0.7%	No
3,500	108	5	4.6%	22.1%	Yes	115	5	4.3%	2.1%	No
3,500	108	6	5.6%	35.9%	Yes	115	6	5.2%	4.9%	No
3,500	108	7	6.5%	51.2%	Yes	115	7	6.1%	9.8%	Yes
5,000	108	0	0.0%	0.0%	No	115	0	0.0%	0.0%	No
5,000	108	1	0.9%	0.3%	No	115	1	0.9%	0.0%	No
5,000	108	2	1.9%	1.6%	No	115	2	1.7%	0.0%	No
5,000	108	3	2.8%	4.9%	Yes	115	3	2.6%	0.2%	No
5,000	108	4	3.7%	11.6%	Yes	115	4	3.5%	0.8%	No
5,000	108	5	4.6%	22.2%	Yes	115	5	4.3%	2.1%	No
5,000	108	6	5.6%	36.0%	Yes	115	6	5.2%	4.9%	No
5,000	108	7	6.5%	51.2%	Yes	115	7	6.1%	9.9%	Yes
10,000	109	0	0.0%	0.0%	No	116	0	0.0%	0.0%	No
10,000	109	1	0.9%	0.3%	No	116	1	0.9%	0.0%	No
10,000	109	2	1.8%	1.5%	No	116	2	1.7%	0.0%	No
10,000	109	3	2.8%	4.8%	No	116	3	2.6%	0.2%	No
10,000	109	4	3.7%	11.3%	Yes	116	4	3.4%	0.7%	No
10,000	109	5	4.6%	21.6%	Yes	116	5	4.3%	2.0%	No
10,000	109	6	5.5%	35.2%	Yes	116	6	5.2%	4.7%	No
10,000	109	7	6.4%	50.2%	Yes	116	7	6.0%	9.5%	Yes
20,000	109	0	0.0%	0.0%	No	116	0	0.0%	0.0%	No
20,000	109	1	0.9%	0.3%	No	116	1	0.9%	0.0%	No
20,000	109	2	1.8%	1.5%	No	116	2	1.7%	0.0%	No
20,000	109	3	2.8%	4.8%	No	116	3	2.6%	0.2%	No
20,000	109	4	3.7%	11.3%	Yes	116	4	3.4%	0.7%	No
20,000	109	5	4.6%	21.7%	Yes	116	5	4.3%	2.1%	No
20,000	109	6	5.5%	35.2%	Yes	116	6	5.2%	4.8%	No
20,000	109	7	6.4%	50.2%	Yes	116	7	6.0%	9.6%	Yes
50,000	109	0	0.0%	0.0%	No	116	0	0.0%	0.0%	No
50,000	109	1	0.9%	0.3%	No	116	1	0.9%	0.0%	No
50,000	109	2	1.8%	1.6%	No	116	2	1.7%	0.0%	No
50,000	109	3	2.8%	4.8%	No	116	3	2.6%	0.2%	No
50,000	109	4	3.7%	11.4%	Yes	116	4	3.4%	0.8%	No

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Figure 2

M. Sampling Formulas

1. Formulas:

A formula for approximating the required size of the second-stage sample to produce estimates with a given level of confidence and precision is:

$$S = \frac{Nz^2P(1-P)}{(N-1)e^2 + z^2P(1-P)}$$

where:

N = Size of the population from which the sample will be taken
S = Sample size
Z = Standard normal deviate (or standard deviation). For a desired confidence level of 95 percent confidence, use z=1.96.
P = The unknown population proportion to be estimated. Regulators should use their best judgment, as well as evidence from the initial sample, to select o value for P.
E = Margin of error or degree of accuracy of the sample estimate expressed as a proportion (for example, use .05 instead of 5 percent)

The desired outcome is to produce a sample of sufficient size to support a conclusion with 95 percent confidence that the true proportion is within ± 'E', or the margin of error, of the sample proportion. The actual margin of error depends on the accuracy of the initial guess for the population proportion. As discussed above, the margin of error increases as the true proportion approaches 50 percent. If the initial guess was 10 percent, but the resulting sample proportion was 30 percent, the confidence limits will be significantly wider than initially anticipated. Confidence limits, therefore, must be calculated after the analysis of the sample is completed.

2. Confidence interval formula:

$$E_p = z\sqrt{\frac{p(1-p)}{s}}\sqrt{\frac{N-S}{N-1}}$$

where:

E = Margin of error
Z = The standard deviation of the sampling estimate. Use z=1.96 for a 95 percent confidence interval.
P = The sample proportion (as a substitute for the unknown population proportion)
S = Sample size
N = Population size

The formulas for sample size and confidence interval are for samples taken from small populations. The term $\sqrt{\frac{N-S}{N-1}}$ is the population correction factor. As populations increase in size, the term has less impact on the resulting estimate. For example, with a sample size of 300 and population size of 500, the term reduces to .63. If the population size is increased to 5,000, the term is .96, and it quickly approaches 1 at

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ACKNOWLEDGMENT

A targeted examination of the market conduct affairs of State Farm Fire and Casualty Company has been conducted for the period of January 1, 2019 through December 31, 2024, with subsequent events to present date. This Examinntion was conducted in accordance with the Oklahoma Insurance Department and the applicable Handbook procedures in the areas of company operations and manngement, policyholder services, complaint handling, and claims handling practices.

The Examiners wish to express appreciation for the courteous cooperation and assistance given by the officers and employees of the Company during the course of this examination.

Sincerely,

Jimmy R. Potts, CIE, MCM, FLMI, CLU, AIRC
Examiner-In-Charge
Lewis & Ellis, Inc.

AFFIDAVIT

STATE OF IDAHO.....a.....)
) ss
COUNTY OF MADISON.....)

Jimmy R. Potts, of lawful age, being first duly sworn, upon oath state that I have been charged with examining State Farm Fire and Casualty Company for the period of January 1, 2019 through December 31, 2024, with subsequent events to present date, that I have prepared and read the foregoing Report of Market Conduct Examination, that I am knowledgeable of the matters set forth therein, and I certify the Report is true and complete to the best of my knowledge and belief.

Jimmy R. Potts

Subscribed and sworn before me by Jimmy R. Potts

On this 9 day of November, 2026.

[SEAL] Chloe Bolkcom
Notary Public

CHLOE BOLKCOM
NOTARY PUBLIC
COMM# 20251163
MY COMMISSION EXPIRES
03/24/2031
STATE OF IDAHO

My commission Expires: 03/24/2031

From: Tom Moss [/O=STATEFARM/OU=HOME/CN=RECIPIENTS/CN=C4SG]
Sent: 3/21/2020 3:40:33 AM
To: Melissa Grimmett [melissa.grimmett.ghl1@statefarm.com]; Brad Rushton [brad.rushton.b92n@statefarm.com]
CC: Scott Welsh [scott.welsh.cx30@statefarm.com]; Tanya E Potts [tanya.e.potts.gqhu@statefarm.com]
BCC: Tom Moss [tom.moss.c4sg@statefarm.com]; Melissa Grimmett [melissa.grimmett.ghl1@statefarm.com]; Brad Rushton [brad.rushton.b92n@statefarm.com]; Scott Welsh [scott.welsh.cx30@statefarm.com]; Tanya E Potts [tanya.e.potts.gqhu@statefarm.com]
Subject: RE: Update: Haag Wind and Hail Videos

Updated with hyperlinks to OGs

From: Tom Moss
Sent: Friday, March 20, 2020 10:37 PM
To: Melissa Grimmett <melissa.grimmett.ghl1@statefarm.com>; Brad Rushton <brad.rushton.b92n@statefarm.com>
Cc: Scott Welsh <scott.welsh.cx30@statefarm.com>; Tanya E Potts <tanya.e.potts.gqhu@statefarm.com>
Subject: RE: Update: Haag Wind and Hail Videos
Importance: High

Hello Melissa, I have updated the memo with my thoughts.

Brad – thoughts?

Tom

March XX, 2020

Subject: HAAG Education Presents – Hail and Wind Damage Assessment Video Series

To: Claims Managers – P&C Claims – distribution list needed

From: Claims Training & Consulting? Yes or no? Yes, I think this should come from Training (you) and Consulting Services, either Brad as technical consultant or me as I have the wind/hail focus

What you should know
The 2020 Fire Property Claims Quality Plan, released in early February, 2020, references material being delivered by Haag Education sometime in Q1 of 2020. Claims training worked with Haag Education to develop a hail and wind damage assessment e-learning/informational video series in preparation for the 2020 storm season. This "just in time" informational video series supports the plan's continued focus on quality claim handling and fundamentals accountability. As provided within the plan, the video series should be scheduled and completed, as capacity and service goals allow.

Action Required
The Haag Education Hail and Wind Damage Assessment Video Series is available in MyBlock (Course XXXXXX) and is recommended to be completed by Fire claim handlers in our in-office,

deployed and proximity locations as capacity and other priorities allow. Consideration should be given to have handlers complete the e-learning video series located in hail prone locations, and those most likely to respond to weather events in Texas and Oklahoma, for example, initially.

The information provided by Haag provides an engineering perspective of damage causation and is not intended to provide an analysis of coverage under an insurance policy. Claim handlers should refer to OG 75-01 First Party Claim Guidelines and Requirements and OG 75-160 Wind/Hail Roofing Guidelines for additional information regarding coverage for wind and hail losses. To help with communicating this to your leadership teams, we have identified a few examples to refer to specifically in your communications. Please do not forward the attachment.

<< OLE Object: Microsoft Word Document >>

Additional details

- Included with the attachment above are the chapter/segments included in the video series.
- The video series from start to finish, if viewed in its entirety, is approximately 5.5 hours in length.
- Is this mandatory? I think we say all should attend but not mark as mandatory, in the event that someone fails to attend and then we have the document that states it is mandatory.
- Should there be a "mark complete" requirement at the completion of the video series? Yes, I would like a way to track that it has been completed.

If you have questions
If you have questions, please reach out to your Consultant/or Claims Training (link in Mel's ID for Claims Training).

C: Kelly Bever, VPO – P&C Claims
Wendy Mazza, VPO – P&C Claims
Kathy Ress, VPO – P&C Claims
Tyrone Smith, VPO – P&C Claims
Greg Jones, VPO – P&C Claims

(Check to make sure/all VPO's are included)

From: Melissa Grimmett
Sent: Thursday, March 19, 2020 7:38 AM
To: Tom Moss <tom.moss.c4sg@statefarm.com>; Brad Rushton <brad.rushton.b92n@statefarm.com>
Cc: Scott Welsh <scott.welsh.cx30@statefarm.com>; Tanya E Potts <tanya.e.potts.gqhu@statefarm.com>
Subject: FW: Update: Haag Wind and Hail Videos
Importance: High

Good morning. Heard from HAAG. There is no script and they will work on one. Tanya provides details below. Since it might take them a while to do this, we have a handful of analysts in-house transcribing. It might take us a few days, but we will work through it and send to you for review once completed.

Action – in the meantime, can you take a look at the communication below and add in your edits from a Consulting perspective? Hoping once the transcript is complete, we can move quickly to communicate.

Special thanks to Tanya and her team for keeping this moving.

From: Tanya E Potts
Sent: Wednesday, March 18, 2020 8:35 PM
To: Melissa Grimmett <melissa.grimmett.ghi1@statefarm.com>
Cc: Sharonna Owens <sharonna.owens.lsur@statefarm.com>; Tina Kohn <tina.kohn.l2su@statefarm.com>
Subject: RE: Update: Haag Wind and Hail Videos

Update: Good News

- HAAG agreed to provide a script.
- The turnaround to receive the script is - best case one week and worst case two weeks or more if staffing/capacity becomes impacted for the transcription services vendor Haag contracts with. Once Kevin knows the timeframe he will share with us.
- Discussed next steps with Tina and we decided to proceed with having analysts and any LDF with some capacity along with myself to transcribe the videos to expedite the publishing.
- There are six analysts and myself currently transcribing. Tricia Carter has taken the lead on this and has organized and provided the transcription and publishing assignments out to those assisting. (Tricia has been very helpful and informative throughout the process.)
- The teamwork shown in an effort to complete this video publishing and script creation effort has been outstanding – specifically the leadership and guidance provided by Tina throughout. (I sincerely appreciate you Tina – thank you for your willingness to support this effort.)
- Depending on additional LDF/analyst capacity we may be able to secure, we will continue to keep the pace to get the scripts transcribed and videos published. Jerry is looking for a person to deploy to assist us.
- I will update once the video publishing has been completed.

Pending

- Memo editing – review of message points with Consulting Services if warranted
- Video message points discussed and documented within a separate document? Or a general message regarding State Farm perspective?
- Once published, submit MyBlock form to set up Course and imbed training course information in Announcement Haag Wind and Hail Assessment Videos

March XX, 2020

Subject: HAAG Education Presents – Hail and Wind Damage Assessment Video Series

To: Claims Managers – P&C Claims – distribution list needed

From: Claims Training & Consulting? Yes or no?

What you should know

The 2020 Fire Property Claims Quality Plan, released in early February, 2020, references material being delivered by Haag Education sometime in Q1 of 2020. Claims training worked with Haag Education to develop a hail and wind damage assessment e-learning/informational video series in preparation for the 2020 storm season. This "just in time" informational video series supports the plan's continued focus on quality claim handling and fundamentals accountability. As provided within the plan, the video series should be scheduled and completed, as capacity and service goals allow.

Action Required

The Haag Education Hail and Wind Damage Assessment Video Series is available in MyBlock (Course XXXXXX) and is recommended to be completed by Fire claim handlers in our in-office, deployed and proximity locations as capacity and other priorities allow. Consideration should be given to have handlers completelthe e-learning video series located in hail prone locations, and those most likely to respond to weather events in Texas and Oklahoma, for example, initially.

The information provided by Haag does lend an engineering perspective in some instances and not an insurance coverage/damage perspective. While their perspective is not inaccurate, it is not State Farm's understanding and should be noted in advance of viewing the videos. To help with communicating this to your leadership teams, we have identified a few examples to refer to specifically in your communications. Please do not forward the attachment.

<< OLE Object: Microsoft Word Document >>

Additional details

- Included with the attachment above are the chapter/segments included in the video series.
- Thelvideo series from start to finish, if viewed in its entirety, is approximately 5.5 hours in length.
- Is this mandatory? Should there be a "mark complete" requirement at the completion of the video series?

If you have questions

If you have questions, please reach out to your Consultant or Claims Training (link in Mel's ID for Claims Training).

C: Kelly Bever, VPO – P&C Claims
Wendy Mazza, VPOI– P&C Claims
Kathy Ress, VPO – P&C Claims
Tyrone Smith, VPO – P&C Claims
(Check to make sure all VPO's are included)

Oklahoma Targeted Market Conduct Examination of:

State Farm Fire & Casualty Company ("Company"), NAIC #: 25143

Data Request:	**O&M 1 – Initial Interrogatories**
Examiner:	**Jimmy Potts**
Date Submitted:	**May 2, 2022**
Date Due:	**May 16, 2022**

NOTE: For all responses the period under examination is **January 1, 2019 through February 28, 2022, including subsequent events through the current date**

I. Operations & Management

1. The examiners would like to interview certain claims personnel who were involved in Oklahoma roofing claims. Please provide the name and contact information for the following individuals:
   a. The manager of the Company's claims unit that adjusts Oklahoma roofing claims;
   b. The name of a Company senior adjuster who adjusts Oklahoma roofing claims and who determines if the roof is sufficiently damaged to warrant repair or replacement; and,
   c. The name of the independent appraiser/firm who appraised the majority of Oklahoma roofing claims during the period under examination.
2. Please describe the Company's claims audit procedures as they relate to roofing claims adjusted by Company employed adjusters in effect for the period under examination. If changes occurred during this period, please provide the procedures in effect on January 1, 2019 and any changes after that date.
3. Please describe the Company's claims audit procedures as they relate to roofing claims adjusted by non-company independent adjusters in effect for the period under examination. If changes occurred during this period, please provide the procedures in effect on January 1, 2019 and any changes after that date.
4. Please provide the names of all firms/individuals who were utilized as independent adjusters for roofing claims during the period under examination.
   a. Please provide copies of all contracts in effect during the period under examination for the firms/individuals who were utilized as independent adjusters. If terms of such contracts changed during the examination period, please provide any amendments or endorsements evidencing such changes.
5. Does the Company permit contractors to also function as independent adjusters and adjust roofing claims for which the contractor would then complete the roofing repairs?
6. Does the Company have preferred roofing contractors in Oklahoma? If, yes:
   a. Please provide the names of all Oklahoma roofing contractors who are preferred contractors.
   b. Please provide copies of contracts with such preferred contractors.
   c. Do the preferred contractors appraise and adjust roofing claims?
   d. Please describe incentives used by the Company or preferred contractor to encourage the policyholder to contract with a preferred contractor for the roof repair.

II. Complaints

1. Define the items or correspondence that are considered "complaints" by the Company. Provide a copy of the Company's guidelines containing the definition.
   a. Does the Company track and record inquiries on covered benefits?
   b. How does the Company distinguish between a complaint and a coverage inquiry?

ATTACHMENT B

MCE OID-0005

c. Are coverage inquiries tracked and used by underwriting to determine if a policy should be non-renewed, cancelled or subject to placement in a different rating classification?

2. Describe how complaints and inquiries are recorded and handled.
3. What complaint reports and summaries are prepared? Who reviews them? Provide an example of each complaint report and summary used by the Company.
4. Describe how the Company uses complaint and inquiry reports to monitor compliance with Oklahoma law.
5. The examiners note that there appears to be a significant increase in roofing complaints during the period under examination. Please provide a written explanation why the Company believes was the cause of the increase in roofing complaints submitted to the OID from calendar years 2019 and thereafter.
6. Please provide the following information by year/partial year, including through the current date, for the period under examination:
   a. Number of closed non-OID consumer roofing complaints;
   b. Number of closed OID consumer roofing complaints;
   c. Number of paid roofing claims;
   d. Number of denied roofing claims; and
   e. Dates and geographic location(s) of catastrophic events, as defined by the Company, affecting roofing claims.

III. Policyholder Service

1. Please provide the procedures for sending out renewal, non-renewal, cancellation and premium billing notices in effect during the period under examination, including applicable timeframes for mailing of notices. If changes occurred to these procedures during the period under examination, please include the procedures in effect on January 1, 2019 and any changes after that date. Include all applicable timelines for sending such notices.
2. Please provide the procedures for cancellation of coverages due to insured losses incurred which were in effect during the period under examination. If changes occurred to these procedures during the period under examination, please include the procedures in effect on January 1, 2019 and any changes after that date.
3. Please provide the procedures and timelines for policy issuance and handling of insured initiated cancellations. If changes occurred to these procedures during the period under examination, please include the procedures in effect on January 1, 2019 and any changes after that date.
4. If any insurance contracts were transferred during the period under examination via assumption reinsurance to another affiliated or non-affiliated regulated entity, please provide information relative to such transfer, including, but not limited to, regulatory approval, number of affected policies, dates of transfer, etc.

IV. Claims

1. Provide a written description or overview of the Claims Department's responsibilities, staffing, and reporting structures, including organizational chart as it pertains to roofing claims.
2. Provide claims administration workflow charts illustrating how roofing claims are handled from inception through final disposition.
3. Provide written description of computer systems with regards to roofing claims processing. The explanation should include, but is not limited to, the following information:
   a. The name of your claim administration system.
   b. The frequency of security updates of the claims administration system.
   c. The process for changing and updating the claims system, including enhancements to comply with new or revised Oklahoma law.

d. Was the claims processing program developed in-house or purchased and adapted? If the program was purchased, who is the developer and what ability does the Company have to make corrections?
e. Does the claims administration system handle the claim from inception to payment and closure? If not, explain the other systems involved and how they interact.
f. If applicable, do contracted independent adjusters responsible for administering roofing claims payments use the same claims administration system? If the independent adjuster uses a different claims administration system, what is the name of the system?
g. Explain how insurer monitors claims administration compliance with an independent adjuster.

4. Provide a sample claims acknowledgement letter (or electronic notice) for roofing claims.
5. Describe how interest payments for roofing claims subject to prompt pay requirements are initiated and calculated.
6. Provide a copy of the procedures used to adjudicate roofing claims in effect during the period under examination. If changes occurred to these procedures during the period under examination, please include the procedures in effect on January 1, 2019 and any changes after that date.
   a. Describe the criteria used to determine if roof damage to an insured structure qualifies as a covered claim, i.e., strike count, damaged or missing shingles, etc.
   b. Describe the criteria used to determine whether covered damages result in a partial or full replacement of the damaged roof.
7. Describe changes, if any, in roofing claims procedures which occurred during the period under examination.
   a. Explain any reason for changes in roofing claims procedures.
   b. Provide copies of internal communications to internal adjusters related to changes in procedures, including, if any, explanations of how the changes affect the administration of roofing claims.
   c. Provide copies of communications to independent adjusters related to changes in procedures, including, if any, explanations of how the changes affect the administration of roofing claims.

Examiner Claims System Access

The examination is contemplated to be conducted off-site to the extent possible. Therefore, the examiners will need to access the Company's claims adjudication system to review roofing claims.

1. Provide read-only access to the roofing claims adjudication system applicable during the period under examination.
2. Prepare to complete a walk-through of the roofing claims adjudication system applicable during the period under examination.

Oklahoma Targeted Market Conduct Examination of:

State Farm Fire & Casualty Company ("Company"), NAIC #: 25143

Data Request:	**O&M 2 – Initial Data Request**
Examiner:	**Jimmy Potts**
Date Submitted:	**May 2, 2022**
Date Due:	**May 31, 2022**

ITEMS NEEDED BY THE EXAMINER

The following items are essential to the examination. All requested information should be provided to the examiners no later than **May 31, 2022** so that applicable sample selections can be made.

This MCE will primarily address the Company's roofing claims during the period of January 1, 2019 through February 28, 2022, including subsequent events through the current date. All data and requested information, documents and files should be prepared with that in mind. Any exceptions will be specified and noted by the examiners.

If the examiners will be utilizing VPN access to review Company documents, then all material should be provided on electronic media on a dedicated server or network drive. If the examination documents will be provided to the examiners in any other format, then such documents should be transmitted in an encrypted format on a flash drive or CD/DVD or via a Company FTP site accessible by the examiners. All material provided shall be specific to the period under examination and/or other time frames specified by the OID or examiners that affect or impact the examination period. Whenever possible, please supply the information in **MS Word®** or **Excel®** format.

Note: All requested information should be identified by category and sub-paragraph under such category. For example, the response to item 1 of category "II. Complaints" would be identified as "II.1.". This permits the examiners to more easily identify and track each response.

I. COMPANY OPERATIONS AND MANAGEMENT

1. A brief narrative history, in a Word® document, of the Company's business in Oklahoma. This is to include:
   a. The date the Company was licensed and began operation in Oklahoma.
   b. Corporate structure of the Company and business entity including parent and affiliate (Organization Chart). Recognizing the Company is part of a large group of insurers, a simplified organization chart can be provided listing only its parent company, holding company, etc. and any subsidiary companies owned by the Company.
   c. A statement defining the Company's territory and states where it is licensed and operates.
   d. Any other information the Company would like to be included in the Company History section of the examination report.
2. All products offered in Oklahoma or to Oklahoma residents on an individual or group basis.
3. Premium writing, both Oklahoma and national, for the period of January 1, 2019 through December 31, 2022 for the homeowner's line of business.
4. Copy of the Company's Certificate of Authority issued by the OID.
5. A copy of the Company's anti-fraud plan.
6. A copy of the Company's disaster recovery plan.
7. Provide a copy of your privacy protection policy and describe how you implement and adhere to that policy.
8. Provide information on any industry, trade organizations or other entities that the Company belongs to which sets forth "Best Practices" standards and your Company's efforts in meeting such standards. Specifically

ATTACHMENT C

please respond to the following:

a. Membership in any 'Best Practices" organizations, include name, website, etc.
b. History in each organization listed above, i.e., continuous member since MM/YYYY or member from MM/YYYY to MM/YYYY and/or MM/YYYY to present.
c. Actions taken by the Company to comply with the standards of best practice organizations that promote high ethical standards of conduct in the marketplace.
d. Extent to which the company maintains regulatory compliance programs to self-assess, self-report and remediate problems detected.

II. COMPLAINTS

1. A copy of the Company's complaint logs, including consumer and OID complaints, for all product lines for the period under examination. At a minimum the log should include the following information in an Excel® spreadsheet:

Complaint Data.xlsx

2. A copy of the Company's complaint handling policies and procedures.

III. POLICYHOLDER SERVICE

1. A list of all homeowner's policies which were cancelled or non-renewed by the Company during the period under examination as requested on the Excel® spreadsheet below.

Cancellation Data.xlsx

IV. CLAIMS

1. A list of all roofing claims received during the examination period, as requested on the Excel® spreadsheet below.

Claims Data.xlsx

2. The following items should also be made available to the examiners:

a. Claim procedural manual for roofing claims, unless previously provided.
b. Codes and keys used in processing claims (e.g., reason for denial codes).
c. Documentation of method or system used for determination of reasonableness of charges submitted and paid.
d. Copies of claim forms used, if any.
e. Any other letters used by the Company during claims processing, including requests for additional information.
f. A memorandum outlining:
    1. The claim service objectives in place during the examination period.
    2. The actual company results for each quarter during the examination period.
    3. How the Company calculates its claim service days.