

ORDER  
under s. 764 of the *Insurance Act*  
R.S.A. 2000, c.I-3, as amended

IN THE MATTER OF THE ALBERTA *INSURANCE ACT*  
R.S.A. 2000, I-3, AS AMENDED

And

IN THE MATTER OF STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY

ORDER UNDER SECTION 764

And

NOTICE OF RIGHT TO A HEARING  
UNDER SECTION 764

Whereas it appears to the Minister of Alberta Finance (Minister) that:

1. State Farm Mutual Automobile Insurance Company (State Farm) is a licensed insurance company in Alberta pursuant to section 27 of the *Insurance Act* of Alberta RSA 2000 Ch I-3 (the Act)
2. On June 1, 2000 State Farm introduced a 5% premium discount for certain eligible new business (New Business Discount).
3. On November 11, 2005 State Farm notified the Alberta Superintendent of Insurance that they had not applied the required "New Business Discount" to 6,362 Alberta automobile insurance policies.
4. State Farm advised that the failure to apply their discount resulted in an overcharging and collection of \$472,786.00 in premiums related to Alberta policyholders.

AND WHEREAS the Minister is of the opinion that by the above act or conduct, State Farm committed an unfair practice and market conduct activity that does not comply with the Act.

AND WHEREAS the Minister considers pursuant to 764 (5) of the Act, that the public interest may be prejudiced or adversely affected by any delay in the issuance of a permanent Order.

AND WHEREAS pursuant to s.764 (3) of the Act, the Minister may give notice to the person referred to in s.764 (1) of the Minister's intention to make a permanent Order ordering the person to cease doing the unfair practice or pursuing the course of conduct specified in this Order and to return the premiums that were incorrectly charged and collected, that in the Minister's opinion are necessary to remedy the unfair practice.

Therefore the Minister orders pursuant to s.764 (3) of the *Insurance Act* that:

1. State Farm cease charging premiums in excess of the premiums and discounts set pursuant to s.656 of the Act;
2. State Farm will provide a refund to all current and former Alberta automobile insurance policyholders that were affected by the non-application of the New Business Discount, which resulted in an overcharging, and collection of premium. The refund will also include an interest charge of 5 percent;
3. State Farm will issue a press release to Alberta newspapers, informing their current and former automobile insurance policyholders of their entitlement to a refund and interest on the overcharged premiums.

TAKE NOTICE THAT State Farm may request a hearing under s.764 (8) of the Act.

Dated at the City of Edmonton in the Province of Alberta this 9th day of December 2005.

*Original signed by Brian Manning,  
Deputy Minister of Finance on behalf of:*

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Shirley McClellan  
Minister of Finance  
Province of Alberta