

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF
THE REPORT OF EXAMINATION
OF FARMERS UNION MUTUAL
INSURANCE COMPANY**

A.I.D. NO. 2017- 007

ADOPTION ORDER

Now on this day the matter of the Report of Examination (“Report”) as of December 31, 2015, of Farmers Union Mutual Insurance Company (“Company”) of Bryant, Arkansas, NAIC No. 37613, is taken under consideration by Allen Kerr, Insurance Commissioner for the State of Arkansas (“Commissioner”), as presented by Associate Counsel, Amanda Capps Rose, and the Finance Division of the Arkansas Insurance Department (“Department”). From the facts, matters and other things before him, the Commissioner finds as follows:

FINDINGS OF FACT

1. The Commissioner has jurisdiction over the Company and the subject matter involved herein.
2. The Company is an Arkansas-domiciled property and casualty mutual insurer, NAIC No. 37613. Effective January 1, 2011, the Company merged with Town & Country Mutual Insurance Company, NAIC No. 18252, and converted from a Farmers Mutual Aid Association, formed under Ark. Code Ann. §§ 23-73-101, *et seq.*, to a property and casualty company. The Department approved the merger and conversion in A.I.D. Order No. 2010-100.
3. Pursuant to Ark. Code Ann. §§ 23-61-201, *et seq.*, the Commissioner authorized and directed the Department to conduct a regular examination of the affairs, transactions, accounts, records, and assets of the Company as of December 31, 2015.

4. Said examination was commenced by the Department on March 21, 2016, and completed on October 12, 2016.

5. The verified Report of Examination was filed with the Department on November 30, 2016. It was then mailed to the Company via certified mail on December 5, 2016. The Company received the Report on December 7, 2016, according to the tracking service available through the United States Postal Service.

6. The Company's Annual Statement improperly included Advance Premium for policies that had not been billed or paid and; therefore, the corresponding Uncollected Premiums balance must also be removed.

7. The Company's reinsurance contracts were not properly reported in its Annual Statement.

CONCLUSIONS OF LAW

Based upon the above and foregoing Findings of Fact, the Commissioner makes the following Conclusions of Law:

1. The Commissioner and the Department have jurisdiction over the parties and the subject matter contained herein.

2. This Adoption Order has been properly entered in accordance with the Arkansas Insurance Code and Department Rules.

3. The Company's Annual Statement was not prepared in compliance with the requirements of the Accounting Practices and Procedures Manual ("APPM") SSAP No. 53.

4. The Company's failure to disclose unauthorized reinsurers in Schedule F – Part 5 is in violation of Ark. Code Ann. § 23-63-216(a)(3), which requires the Company to file in accordance with the NAIC's Annual and Quarterly Statement Instructions.

THEREFORE, pursuant to the provisions of Ark. Code Ann. § 23-61-205 and other provisions of the Arkansas Insurance Code, the Commissioner hereby orders:

1. That the Examination Report, as filed with the Department, is hereby adopted;
2. That the Department shall forward a copy of this Adoption Order and the adopted Examination Report, as filed, to the Company via certified mail. The mailing to the Company shall include specimen affidavit forms for the Company's Board of Directors to use in acknowledgement of receipt of the adopted Report of Examination and this Adoption Order;
3. That within twenty (20) days of receipt of this Adoption Order and the adopted Examination Report, the Company shall file with the Department affidavits executed by each one of its directors, stating under oath or affirmation that each has received a copy of this Adoption Order and the adopted Examination Report;
4. That the adopted Examination Report shall be open for public inspection upon the expiration of thirty (30) days from the Company's receipt of this Adoption Order;
5. That the Company shall file all future Annual and Quarterly Statements in accordance with APPM SSAP No. 53; and
6. That the Company shall file all future Annual and Quarterly Statements in accordance with the NAIC's Annual and Quarterly Statement Instructions as required by Ark. Code Ann. § 23-63-216(a)(3).

IT IS SO ORDERED this 23rd day of January, 2017.


ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS