

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

**IN THE MATTER OF
THE REPORT OF EXAMINATION OF
LOGAN COUNTY FARMERS MUTUAL AID**

A.I.D. NO. 2019- 16

ADOPTION ORDER

Now on this day the matter of the Report of Examination (“Report”) as of December 31, 2017, of Logan County Farmers Mutual Aid (“Company”) of Scranton, Arkansas, NAIC No. 14251, 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 Company is an Arkansas-domiciled Farmers’ Mutual Aid Association, NAIC No. 14251.
2. 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, 2017.
3. Said examination was commenced by the Department on May 4, 2018, and completed on December 7, 2018.
4. The verified Report of Examination was filed with the Department on February 5, 2019. It was then mailed to the Company via certified mail on February 5,

2019. The Company received the Report on February 8, 2019, according to the tracking service available through the United States Postal Service.

5. As of the examination date, the Company had not established a conflict of interest policy.

6. The Company did not have fidelity or other insurance coverage as of December 31, 2017. The Department recommends, based upon the NAIC suggested minimum fidelity bond for this Company, that the Company obtain a dishonesty/forgery policy in the amount of \$25,000.00.

7. The Company's claims resolutions and payments were not consistent with its Constitution, specifically Article IV, Section 1, which states that "damage by fire, lightning, hail or windstorms must be reported to the local secretary within three days of its occurrence and the local committee must make an appraisal of the damage without delay." However, "report dates" were not documented in the claims reported to the Company. The Department recommends that the Company follow the policies set forth in its Constitution regarding claims resolution and claims payments.

8. The Company did not provide claims data regarding the details sufficient for the Commissioner to review and reconstruct the pertinent events and dates of the relevant events.

9. The Company does not have procedures for complaint handling or complaint register reporting in its Constitution or other written organizational document.

10. The Company failed to account for incurred but not reported ("IBNR") reserves during the examination period.

11. In correspondence dated March 1, 2019, the Company acknowledged receipt of the Report and waived the remainder of its thirty (30) day review period.

12. There were minor, non-substantive changes made to the Report following the Company's thirty (30) day review period.

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 failure to establish a conflict of interest policy is a violation of Ark. Code Ann. § 23-66-206(5).

4. The Company violated Department Rule 43, Section 6, by failing to provide claims data to the Commissioner with the specificity necessary to review the handling of claims.

5. The Company is in violation of Ark. Code Ann. § 23-66-206(4)(A) – (B) regarding complaint handling and complaint register reporting standards.

6. The Company's failure to account for IBNR reserves during the examination period is a violation of Ark. Code Ann. § 23-63-604.

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 Company shall establish and submit to the Department a conflict of interest policy as required by Ark. Code Ann. § 23-66-206(5) no later than forty-five (45) days from the date of this Adoption Order;

2. That the Company shall comply with Department Rule 43, Section 6, regarding the reporting of claims data to the Commissioner;

3. That the Company shall comply with the complaint handling and compliant register reporting standards required by Ark. Code Ann. § 23-66-206(4)(A) – (B);

4. That the Company shall account for IBNR reserves as required by Ark. Code Ann. § 23-63-604;

5. That the Examination Report, as filed with the Department, is hereby adopted;

6. 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 Executive Committee to use in acknowledgement of receipt of the adopted Report of Examination and this Adoption Order;

7. 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; and

8. 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.

IT IS SO ORDERED this 19th day of March, 2019.



ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS