

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
OF THE STATE OF TENNESSEE**

IN THE MATTER OF:

**FARMERS AID ASSOCIATION OF
LOUDON COUNTY**

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) **No.: 08-116**
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ORDER ADOPTING EXAMINATION REPORT WITH DIRECTIVES

Pursuant to TENN. CODE ANN. §§ 56-22-101, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (“Division”) has examined certain affairs of Farmers Aid Association of Loudon County (“Company”), a county mutual insurance company insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31st day of December, 2006, the examiner-in-charge filed with the Division, on the 2nd day of June, 2008, a verified, written report on the examination, and a copy of that report has been sent to Farmers Aid Association of Loudon County. (The Report on Examination of Farmers Aid Association of Loudon County is attached hereto as Exhibit A). The Division received a written rebuttal to said examination report from the Company on June 19, 2008. (A copy of the Company’s written rebuttal is attached hereto as Exhibit B).

Pursuant to TENN. CODE ANN. § 56-1-411, said examination report regarding the affairs of Farmers Aid Association of Loudon County filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 2nd day of June, 2008, is hereby **ADOPTED** as filed with the following **DIRECTIVES**:

1. The Company is **DIRECTED** to comply with TENN. CODE ANN. § 56-22-108(b) by placing its placing its investments in an institution authorized by TENN. CODE ANN. § 56-3-112 and establishing a proper custodial relationship with these

entities in accordance with TENN. COMP. R. & REGS. 0780-1-46. Further, any investments not held according to these provisions shall be reported as non-admitted assets on financial statements submitted to the Division.

2. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-22-109(a)(4) by reporting the depreciated value of its home office land and building improvements costs on annual statements submitted to the Commissioner in accordance with TENN. CODE ANN. § 56-3-405 and the National Association of Insurance Commissioners accounting procedures.
3. The Company is **DIRECTED** to comply with TENN. CODE ANN. § 56-53-111 by revising its application and claim forms to include the required fraud warnings.
4. The Company is **DIRECTED** to comply with TENN. CODE ANN. § 56-22-113 by requiring all persons who sell, solicit or negotiate insurance for the Company to hold an insurance producer license for property and/or casualty insurance in accordance with TENN. CODE ANN. § 56-6-107.
5. The Company is **DIRECTED** to comply with TENN. CODE ANN. § 56-22-107(b) by ceasing to compensate persons responsible for accepting or rejecting insurance applications with a commission on the premiums, and offer compensation only as a fixed salary and/or share of the net profits as determined by the directors.
6. The Company is **DIRECTED** to comply with TENN. CODE ANN. § 56-22-109(b)(1) by setting premiums in accordance with rates filed and approved by the Division, and by filing future rate changes at least thirty (30) days before the proposed effective date, pursuant to TENN. CODE ANN. § 56-5-305.

The adoption of this examination report shall not preclude the Department from imposing sanctions against Farmers Aid Association of Loudon County for potential violations of the Tennessee Insurance Law which may be revealed in the examination report, it being the intent of this Order Adopting Examination Report With Modifications and Directives merely to adopt the examination report filed by the examiner-in-charge.

It is so **ORDERED**.

ENTERED this the 24th day of June, 2008.

Leslie A. Newman

Leslie A. Newman, Commissioner
Department of Commerce and Insurance
State of Tennessee

PREPARED FOR ENTRY:

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report as Filed has been messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, James T. Pearce, Examiner-in-Charge, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Farmers Aid Association of Loudon County, at the address of 804 Mulberry Street, P.O. Box 384, Loudon, Tennessee 37774; on this the 21st day of June, 2008.



Karen L. Heidel
Certifying Attorney