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

IN THE MATTER OF: MONROE COUNTY MUTUAL FIRE INSURANCE COMPANY

No.: 10-097

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 Monroe County Mutual Fire Insurance Company ("Company"), a county mutual insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31st day of December 2008, the examiner-in-charge filed with the Division, on the 20th day of August 2010, a verified, written report on the examination, and a copy of that report has been sent to Monroe County Mutual Fire Insurance Company. (The Report on Examination of Monroe County Mutual Fire Insurance Company is attached hereto as Exhibit A). The Division received no written rebuttal to said examination report from the Company.

Pursuant to TENN. CODE ANN. § 56-1-411, said examination report regarding the affairs of Monroe County Mutual Fire Insurance Company filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 20th day of August 2010 is hereby ADOPTED as filed with the following DIRECTIVES:

1. The Company is DIRECTED to implement corrective action for the purpose of complying with SSAP No. 16, PP3: EDP equipment and software should be depreciated for a period not to exceed three years using methods detailed in SSAP No. 19-Furnitures, Fixtures and Equipment; Leasehold Improvements Paid by the
Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements. TENN. CODE ANN. § 56-22-109; TENN. COMP. R. & REGS. 078-01-78-.04.

2. The Company is DIRECTED to implement corrective action for the purpose of complying with SSAP No. 19, PP2: Furniture, fixtures and equipment generally meet the definition of assets established in SSAP No. 4-Assets and Nonadmitted Assets (SSAP No. 4). Within that definition, such items also meet the criteria defining nonadmitted assets. Accordingly, these assets shall be depreciated against net income as the estimated economic benefit expires, and the undepreciated portion of these assets shall be reported as nonadmitted assets and charged against surplus. TENN. CODE ANN. § 56-22-109; TENN. COMP. R. & REGS. 078-01-78-.04.

3. The Company is DIRECTED to implement corrective action for the purpose of complying with SSAP No. 53, PP 13: Advance premiums result when the policies have been processed and the premium has been paid prior to the effective date. These advance premiums are reported as a liability in the statutory financial statement and are not considered income until due. Such amounts are not included in written premium or the unearned premium reserve. TENN. CODE ANN. § 56-22-109; TENN. COMP. R. & REGS. 078-01-78-.04.

4. The Company is DIRECTED to implement corrective action for the purpose of complying with TENN. COMP. R. & REGS. 0780-01-78-.04(4) which requires that when a county mutual insurance company has greater than one million dollars ($1,000,000) in gross premium in a given year, it shall be required, in addition to
other requirements contained in the Rule, to file an opinion of an appointed actuary in accordance with the NAIC’s Quarterly and Annual Statement Instructions-Property/Casualty.

The adoption of this examination report shall not preclude the Department from imposing sanctions against Monroe County Mutual Fire Insurance Company 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 Directives merely to adopt the examination report filed by the examiner-in-charge.

It is so ORDERED.

ENTERED this the 4th day of January, 2011.

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

PREPARED FOR ENTRY:

Sharon K. Hawkins (BPR # 014470)
Assistant General Counsel
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Davy Crockett Tower, Second Floor
Nashville, Tennessee 37243
(615) 253-4701