



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

IN THE MATTER OF:

MENDOTA INSURANCE COMPANY

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TID No.: 23-053

ORDER ADOPTING EXAMINATION REPORT

Pursuant to Tenn. Code Ann. § 56-1-408, the Insurance Division of the State of Tennessee, Department of Commerce and Insurance (“Division”) has examined certain affairs of Mendota Insurance Company (“Company”), an insurance company domiciled in the state of Tennessee. As a result of an examination conducted as of December 31, 2021, the examiner-in-charge filed a verified, written report on the examination with the Division on June 8, 2023. A copy of that report was sent to the Company. (The Report on Examination of the Company is attached hereto and marked as Exhibit A).

The Division received a response regarding the report from the Company dated June 26, 2023. (The written response submitted by the Company is attached hereto and marked as Exhibit B).

Pursuant to Tenn. Code Ann. § 56-1-411, the examination report regarding the affairs of the Company is hereby **ADOPTED** as filed with the following **DIRECTIVES**:

1. The Company failed to properly report the termination of producers as required by Tenn. Code Ann. § 56-6-117. The Company is **DIRECTED** to notify the Commissioner within thirty (30) days following the effective date of the termination of a producer in compliance with Tenn. Code Ann. § 56-6-117.
2. The Company failed to properly appoint producers as required by Tenn. Code

Ann. § 56-6-115(c). The Company is **DIRECTED** to provide a notice within fifteen (15) days from the date the agency contract is executed, or the first insurance application is submitted, in a format approved by the Commissioner in compliance with Tenn. Code Ann. § 56-6-115(c).

3. The Company selected reserves lower than the actuary's point estimate resulting in a less than reasonable reserve amount as of year-end 2022. Statements of Standard Accounting Practice (SSAP) 55 requires inclusion of an analysis of the amount of variability in the actuary's estimate. The Company is **DIRECTED** to reserve to the actuary's central estimate unless a separate analysis of the reasonableness of claim or loss and loss/claim adjustment expense reserve estimates is performed in accordance with SSAP 55.
4. The Company did not properly recognize, record, and calculate for a premium deficiency reserve (PDR) for 2021. SSAP 53 states that "[w]hen the anticipated losses, loss adjustment expenses, commissions and other acquisition costs, and maintenance costs exceed the recorded unearned premium reserve and any future installment premiums on existing policies, a premium deficiency reserve shall be recognized by recording an additional liability for the deficiency, with a corresponding charge to operations." The Company is **DIRECTED** to have its appointed actuary estimate the need for a PDR whenever the most recent accident year loss ratio is greater than eighty percent (80%), and if the appointed actuary determines that a PDR is indicated, the Company shall book the amount recommended by the appointed actuary in compliance with SSAP 53.
5. The Company did not provide the minutes of the annual shareholder meetings for 2019 and 2020. Tenn. Code Ann. § 48-17-101(a) provides that, "[u]nless directors are elected by written consent in lieu of an annual meeting as permitted by § 48-17-104, a corporation shall hold a meeting of shareholders annually at a time stated in, or fixed in accordance with, the bylaws." Tenn. Code Ann. § 48-26-101(a) requires "[a] corporation [to] keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all actions taken by the shareholders or board of directors without a meeting, and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the corporation." The Company is **DIRECTED** to conduct its annual meeting of stockholders in accordance with Tenn. Code Ann. § 48-17-101(a) and maintain documentation of the minutes of the stockholder meetings in accordance with Tenn. Code Ann. § 48-26-101(a).


The Company shall comply with the Directives contained in this Order within thirty (30) days of its entry and execution.

The adoption of this examination report shall not preclude the Department from imposing sanctions against the Company for potential violations of Tennessee insurance law which may be

revealed in the examination report, it being the intent of this Order merely to adopt the examination report filed by the examiner-in-charge.

It is so **ORDERED**.

ENTERED AND EXECUTED June 28, 2023.


Carter Lawrence (Jun 28, 2023 15:09 CDT)

Carter Lawrence, Commissioner
Department of Commerce and Insurance
State of Tennessee

PREPARED FOR ENTRY:


Jenny Taylor (Jun 27, 2023 09:27 CDT)

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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 emailed to Bill Huddleston, Assistant Commissioner for Insurance, Department of Commerce and Insurance at bill.huddleston@tn.gov; and mailed first class, postage prepaid, to Mendota Insurance Co., 3343 Perimeter Hill Drive, Suite 214, Nashville, Tennessee 37211, on June 28, 2023.

Jenny Taylor

Jenny Taylor (Jun 27, 2023 09:27 CDT)

Jenny Taylor
Associate General Counsel