

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

IN THE MATTER OF:)
)
FARMERS MUTUAL OF TENNESSEE) **TID No.: 23-056**
)

ORDER ADOPTING EXAMINATION REPORT

Pursuant to Tenn. Code Ann. § 56-22-115, the Insurance Division of the State of Tennessee, Department of Commerce and Insurance (“Division”) has examined certain affairs of Farmers Mutual of Tennessee (“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 May 26, 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 28, 2023. (The written response submitted by the Company is attached hereto and marked as Exhibit B).

Pursuant to Tenn. Code Ann. § 56-22-115, the examination report regarding the affairs of the Company is hereby **ADOPTED** as filed with the following **DIRECTIVES**:

1. The Company failed to obtain proper approval for the Company’s investment transactions as required by Tenn. Code Ann. § 56-3-408(b)(1). The Company is **DIRECTED** to ensure that investments or loans made by the Company are properly authorized by the board of directors or by a committee appointed by the board in compliance with Tenn. Code Ann. § 56-3-408(b)(1).

2. The Company's corporate meeting minutes (member, board, and committee meeting minutes) were noted to be incomplete for the examination period ending December 31, 2021, failing to comply with Tenn. Code Ann. § 48-26-101. The Company is **DIRECTED** 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, in compliance with Tenn. Code Ann. § 48-26-101.
3. The Company did not document the Company Board's review of the actuarial opinion or the review of the booked reserve as required by the NAIC Annual Statement Filing Instructions ("Instructions") and Tenn. Code Ann. § 56-1-501(b). The Company is **DIRECTED** to properly document the review of actuarial opinions and the booked reserve in compliance with the Instructions and Tenn. Code Ann. § 56-1-501(b).
4. The Company listed county mutual insurance companies as licensed insurance producers; however, the county mutual insurance companies did not hold producer's licenses under Tenn. Code Ann. § 56-6-106(b). Additionally, the Company paid commissions to these county mutual insurance companies in violation of Tenn. Code Ann. § 56-6-113(a). The Company is **DIRECTED** to ensure that county mutual insurance companies documented by the Company as licensed insurance producers, are in fact properly licensed in accordance with Tenn. Code Ann. § 56-6-106(b), and to ensure that commissions paid to a person for selling, soliciting, or negotiating insurance in this state are only paid in compliance with Tenn. Code Ann. § 56-6-113(a).
5. The Company failed to ensure that insurance producers acting as an agent of the Company were properly appointed as required by Tenn. Code Ann. § 56-6-115(a). The Company is **DIRECTED** to ensure that insurance producers acting as an agent of the Company are appointed in compliance with Tenn. Code Ann. § 56-6-115(a).
6. The Company does not have an intermediary agreement with its reinsurance intermediary broker as required by Tenn. Code Ann. § 56-6-804. The Company is **DIRECTED** to ensure that transactions with reinsurance intermediary brokers are entered into pursuant to a written authorization specifying the responsibilities of each party in compliance with Tenn. Code Ann. § 56-6-804.
7. The agreement between the Company and its managing general agent ("MGA") does not meet the requirements of Tenn. Code Ann. §§ 56-6-504 and 56-6-505. The Company is **DIRECTED** to ensure that when a person, firm, association,

or corporation is acting in the capacity of an MGA for the insurer that a written contract is in force between the parties that sets forth the responsibilities of each party, specifies the division of responsibilities, and contains the minimum provisions in compliance with Tenn. Code Ann. § 56-6-504 and to have on file an independent financial examination, in a form acceptable to the commissioner, of each MGA with which it has done business in compliance with Tenn. Code Ann. § 56-6-505.

8. The custodial agreement between the Company and the company's securities custodian does not meet the requirements of Tenn. Comp. R. & Regs. 0780-01-46-.02. The Company is **DIRECTED** to ensure that when custodians have custody of Company securities that there is a written agreement in place, including certain required terms, in compliance with Tenn. Comp. R. & Regs. 0780-01-46-.02.
9. The Company's complaint log did not include sufficient details of complaints and their resolution as required by Tenn. Code Ann. § 56-8-104(11). The Company is **DIRECTED** to maintain a complete record of all the complaints it received since the date of its last examination under § 56-1-408 and the records shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint in compliance with Tenn. Code Ann. § 56-8-104(11).
10. The Company did not maintain copies of all policy applications within its policy administration system as required by Tenn. Code Ann. § 56-8-104(10). The Company is **DIRECTED** to maintain its books, records, documents, and other business records in such an order that data regarding claims, rating, underwriting, and marketing are accessible and retrievable for examination by the Insurance Commissioner and data for at least the current calendar year and the two (2) preceding years shall be maintained in compliance with Tenn. Code Ann. § 56-8-104(10).

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 30, 2023.


Carter Lawrence (Jun 30, 2023 15:42 CDT)

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

PREPARED FOR ENTRY:


Jenny Taylor (Jun 30, 2023 11:29 CDT)

Jenny Taylor (BPR# 027264)
Associate General Counsel
Department of Commerce and Insurance
Davy Crockett Tower
500 James Robertson Parkway
Nashville, Tennessee 37243
(615) 426-1084
Jenny.Taylor@tn.gov

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 Farmers Mutual of Tennessee, 837 North Hall of Fame Drive, Knoxville Tennessee, 37917, on June 30, 2023.

Jenny Taylor

Jenny Taylor (Jun 30, 2023 11:29 CDT)

Jenny Taylor
Associate General Counsel