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

TENNESSEE INSURANCE DIVISION, Petitioner,	)	
vs.	)	No.: 04-117 12.01-065940J
AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY, Respondent.	)	

AGREED ORDER

WHEREAS, Petitioner, the Tennessee Insurance Division, (hereinafter referred to as the "Division") and the Respondent, American Manufacturers Mutual Insurance Company, hereby stipulate and agree, subject to the approval of the Commissioner of Commerce and Insurance (hereinafter referred to as the "Commissioner") as follows:

GENERAL STIPULATIONS

1. It is expressly understood that this Agreed Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.

2. The Commissioner has determined that the resolution set forth in this Agreed Order is fair, reasonable, and in the best public interest.

3. This Agreed Order is executed by the Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Agreed Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Agreed Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner

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from further participation or resolution of these proceedings.

4. Respondent fully understands that this Agreed Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts or omissions not specifically addressed in this Agreed Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

5. Respondent expressly waives all further procedural steps and all rights to seek judicial review of or to otherwise challenge or contest the validity of the Agreed Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Agreed Order by the Commissioner.

FINDINGS OF FACT

6. American Manufacturers Mutual Insurance Company (hereinafter referred to as the "Respondent") is an insurance company domiciled in the State of Illinois.

7. On Schedule F of the Respondent's 2004 annual statement, the Respondent reported a reinsurance recoverable due from Lumberman's Mutual Casualty Company (hereinafter referred to as "LMC") in the amount of Six Hundred Million Five Hundred Fifty-Nine Thousand Dollars ($600,559,000). Given the financial condition of LMC, this recoverable is to be non-admitted in this State pursuant to Tenn. Code Ann. § 56-1-405.

8. The reinsurance recoverable due from LMC is greater than the Respondent's policyholders' surplus of Ten Million Four Hundred Nine Thousand Seventeen Dollars ($10,409,017), reported as of December 31, 2004.

9. In order to avoid any further expenses or costs associated with litigating this matter, Respondent hereby desires to enter into this Agreed Order.

CONCLUSIONS OF LAW

10. Tenn. Code Ann. § 56-1-416 provides that the Commissioner shall revoke or suspend all certificates of authority granted to an insurance company if the Commissioner is of the opinion, upon examination or other evidence, that a foreign insurance company is in an unsound condition or has failed to comply with the law and, upon such a finding, no new business shall be done by the company or its agents under suspension or revocation while such default or disability continues and not until its authority to do business is restored by the Commissioner.

11. Pursuant to Tenn. Code Ann. § 56-2-115, Respondent is required to possess and maintain bona fide surplus funds in the amount of One Million Dollars ($1,000,000). Had the Respondent complied with Tennessee law in computing its financial condition, bona fide surplus would have been negative Five Hundred Ninety Million One Hundred Forty-Nine Thousand Nine Hundred Eighty-Three Dollars (-$590,149,983). Such subjects the Respondent to sanctions pursuant to Tenn. Code Ann. § 56-1-416 for failing to comply with Tennessee law.

ORDER

NOW THEREFORE, on the basis of the foregoing, the waiver of the Respondent, of its rights to a hearing and appeal under Tennessee Insurance Law and Tennessee's Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101, *et seq.*, and the admission by Respondent of the jurisdiction of the Commissioner, the Commissioner finds that the Respondent has agreed to the entry of this order, this Order is appropriate, and in the public interest.

IT IS ORDERED, pursuant to Tenn. Code Ann. § 56-1-416 of the Tennessee Insurance Law, that:

1. Respondent's Certificate of Authority is hereby suspended for a period of two (2) years, so that during such period the Respondent shall continue to be licensed in Tennessee but shall cease writing any new business in the State of Tennessee, and shall renew only those policies that the law may require. Should the Commissioner determine that the Respondent's financial condition is no longer unsound, she may at any time remove the suspension of the Respondent's Certificate of Authority. The Commissioner, in her sole discretion, may also extend the suspension period should she find such extension to be in the public interest. However, in the event the Respondent's Certificate of Authority is not reinstated within two (2) years from the date of this Order, unless the Commissioner shall have extended the suspension period, the Respondent's Certificate of Authority shall automatically be revoked without further action by the Commissioner or the Division.

2. Respondent shall continue to file its annual statement, pay fees, licenses and taxes as required and applicable, and service existing policyholders and adjust losses thereunder.

This Agreed Order is in the public interest and in the best interests of the parties. This Agreed Order represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signature affixed below, American Manufacturers Mutual Insurance Company affirmatively states that it has freely agreed to the entry of this Agreed Order, that it has been advised that it may consult legal counsel in this matter and has had the opportunity to consult with legal counsel, that it waives its right to a hearing on the matters underlying this Agreed Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Agreed Order, affirmatively state their agreement to be bound by the terms of this Agreed Order

and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Agreed Order, are binding upon them.

Nothing in this Agreed Order should be construed to limit the authority of the Insurance Division or the Commissioner to take further action against the Respondent should such action, in the opinion of the Insurance Division or the Commissioner, be necessary.

SO ORDERED.

ENTERED this the 6th day of July, 2005.

Paula A. Flowers

Paula A. Flowers, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

Larry C. Knight, Jr.
Assistant Commissioner for Insurance
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