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

TENNESSEE INSURANCE DIVISION,	)	
Petitioner,	)	
	)	
vs.	)	**No.: 05-005**
	)	**12.01-066780J**
KENTUCKY NATIONAL INSURANCE COMPANY,	)	
Respondent.	)	

AGREED ORDER

WHEREAS, Petitioner, the Tennessee Insurance Division, (hereinafter referred to as the "Division"), and the Respondent, Kentucky National Insurance Company, (hereinafter referred to as the "Respondent"), 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 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. The 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. Kentucky National Insurance Company (hereinafter referred to as the "Respondent") is an insurance company domiciled in the State of Kentucky.

7. Respondent currently holds a certificate of authority to sell property and casualty insurance in the State of Tennessee and is subject to regulation under the Tennessee Insurance Law (hereinafter referred to as them "Tennessee Law"), codified as Title 56 of the Tennessee Code.

8. The financial statement filed with the Department by the Respondent reported that, as of December 31, 2003, the Respondent had a net loss of One Million Nine Hundred Seventy-Eight Thousand Five Hundred and Sixty Dollars ($1,978,560.00). This net loss amount was greater than fifty percent (50%) of the Respondent's remaining policyholders' surplus in excess of the minimum required at the time, which equaled Three Million Six Hundred Sixty-One Thousand Nine Hundred and Twenty-Seven Dollars ($3,661,927.00).

CONCLUSIONS OF LAW

9. 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.

10. Tenn. Comp. R. & Regs. 0780-1-66-.03(1)(f) provides, in pertinent part, that the Commissioner may consider in determining whether the continued operation of any insurer transacting an insurance business in this state might be deemed to be hazardous, financially or otherwise, to the policyholders, creditors, or the general public, whether the insurer's operating loss in the last twelve-month period or any shorter period of time, including but not limited to net capital gain or loss, change in non-admitted assets, and cash dividends paid to shareholders, is greater than fifty percent (50%) of the insurer's remaining surplus as regards to policyholders in excess of the minimum required.

11. Based on the Findings of Fact, above, and by virtue of the Respondent failing to meet the standard set forth in Tenn. Comp. R. & Regs. 0780-1-66-.03(1)(f), the Respondent's financial condition is unsound and subjects the Respondent to sanctions pursuant to Tenn. Code Ann. § 56-1-416(a)(1)(A).

12. Respondent admits to the Findings of Fact, above, and further admits that such findings subject it to sanctions pursuant to Tenn. Code Ann. § 56-1-416. Respondent further admits that the Conclusions of Law, above, are fair and reasonable. In order to avoid any further expenses

or costs associated with litigating this matter, Respondent, hereby desires to enter into this Agreed Order.

ORDER

NOW THEREFORE, on the basis of the foregoing, the wavier 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. 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, the Respondent's Certificate of Authority shall automatically be revoked without further action by the Commissioner or the Division.

2. While the Respondent's Certificate of Authority is either suspended or revoked, Respondent shall cease writing new business in the State of Tennessee and shall only renew those

policies that the law may require. Respondent shall, however, at all such times 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, the Respondent 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 should it had desired to do so, 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 28th day of February, 2004.

Paula A. Flowers

Paula A. Flowers, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

Larry C. Knight, Jr.
Assistant Commissioner for Insurance
Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37247-0565

Kentucky National Insurance Company

By: Enoch G. Roberts
Title: Chief Operating Officer

Beth Mitchell (BPR# 020880)
Department of Commerce and Insurance
Davy Crockett Tower, Fifth Floor
500 James Robertson Parkway
Nashville, Tennessee 37243
615-253-3259

NOTICE OF REGULATORY ACTIVITY (RIRS)

For submission of regulatory actions reported to the NAIC.

ENTITY INFORMATION

Entity name, address and a numberic identifier (CoCode, AA/FEIN, SSN, Entity Number or National Producer Number) are required.

Entity Name: KENTUCKY NATIONAL INSURANCE COMPANY

(for Individual Name key in Last Name, First Name, Middle Name and Suffix if available)

NAIC Entity No: NAIC CoCode: 29149 AA/FEIN: 61 - 0846150

Entity Type Code: (select one) FIRM ☒ IND ☐ Entity Function Code: (listed on back) UDI - U.S. DOB SSN - -

Addr: 300 VINE STREET, 7TH FL Line 2 Addr: Line 3 Addr:

City: LEXINGTON State: KY Zip: 40507 - Phone: (859) 367 - 5200

ACTION INFORMATION

ORIGIN OF ACTION

Check at least one item in the section below – maximum 4 - Click in box with mouse

- ☐ (1005) Complaint Investigation
- ☐ (1007) Field Investigation
- ☐ (1008) Public Inquiry
- ☒ (1010) Routine Dept. Action
- ☐ (1015) Other States Action
- ☐ (1018) Information/Referral from Another state Agency
- ☐ (1020) Insurer Report
- ☐ (1023) Statistical Filing
- ☐ (1025) Legal
- ☐ (1030) Market Conduct Exam
- ☐ (1035) Financial Exam
- ☐ (1040) Workers Comp Exam
- ☐ (1045) Combined Exam
- ☐ (1050) Bankruptcy Notices
- ☐ (1055) Third Party Information
- ☐ (1063) Licensing Administration
- ☐ (1065) Background Check
- ☐ (2115) Other (enter up to 50 char)

* if checked you must enter description.

REASON FOR ACTION

Check at least one item in the section below – maximum 20

- ☐ (2005) Underwriting
- ☐ (2010) Marketing & Sales
- ☐ (2012) Life Insurance Replacement Violation
- ☐ (2014) Misrepresentation of Insurance Product/Policy
- ☐ (2015) Claim Handling
- ☐ (2020) Policyholder Service
- ☐ (2025) Advertising
- ☐ (2026) Premium Finance Act Violation
- ☐ (2027) Surplus Lines Violation
- ☐ (2028) TPA Violation
- ☐ (2029) Unfair Insurance Practices Act Violation
- ☐ (2030) Failure to meet Continuing Education Requirements
- ☐ (2032) Continuing Education Requirements Met
- ☐ (2035) Failure to Respond
- ☐ (2036) Late or Incomplete Response
- ☐ (2037) Failure to Notify Department of Address Change
- ☐ (2038) Failure to Comply with Previous Order
- ☐ (2039) Failure to Maintain Books & Records
- ☐ (2040) Failure to Timely File
- ☐ (2042) Failure to Pay Child Support
- ☐ (2045) Rebating
- ☐ (2050) Rate Violation
- ☐ (2053) Use of Unapproved Forms
- ☐ (2055) No License
- ☐ (2056) Demonstrated Lack of Fitness or Trustworthiness
- ☐ (2058) Misstatement on Application
- ☐ (2059) Failure to Make Required Disclosure on application
- ☐ (2060) Not Appointed
- ☐ (2061) Selling for Unlicensed Insurer
- ☐ (2062) Allowed Business from Agent Not Appointed/Licensed
- ☐ (2063) Employed Unlicensed Individuals
- ☐ (2064) Paid Commissions to Unappointed Agents
- ☐ (2065) Notice of Financial Impairment from another state
- ☐ (2070) Financial Impairment
- ☐ (2072) Cure of Financial Impairment
- ☐ (2074) Other States Action
- ☐ (2075) Failure to report other state action
- ☐ (2080) Dissolution
- ☐ (2085) Failure to pay tax
- ☐ (2090) Failure to pay fine
- ☐ (2095) Failure to pay assessment
- ☐ (2097) Bail Bond Forfeiture Judgement
- ☐ (2100) No Certificate of Authority
- ☐ (2101) Certification Violation
- ☐ (2102) Unauthorized Insurance Business
- ☐ (2103) Fiduciary Violation
- ☐ (2104) Failure to Remit Premiums to insurer
- ☐ (2105) Misappropriation of Premium
- ☐ (2106) Forgery
- ☐ (2107) Criminal Record/History
- ☐ (2108) Criminal Proceedings
- ☐ (2110) Reconsideration
- ☒ (2115) Other (enter up to 50 char) AGREED ORDER

* if checked you must enter description.

Continue form on reverse side

DISPOSITION

Check at least one item in the section below – maximum 4

- [ ] (3001) License, Denied
- [ ] (3003) License, Suspended
- [ ] (3004) License, Cancelled
- [ ] (3006) License, Revoked
- [ ] (3009) License, Probation
- [ ] (3010) License, Conditional
- [ ] (3011) License, Supervision
- [ ] (3012) License, Reinstatement
- [ ] (3013) License, Granted
- [ ] (3014) License, Surrendered
- [ ] (3015) License, Voluntarily Surrendered
- [ ] (3016) License, Other (50 Char)
- [ ] (3021) Certificate of Authority, Denied
- [x] (3023) Certificate of Authority, Suspended
- [ ] (3025) Certificate of Authority, Suspension Extended
- [ ] (3026) Certificate of Authority, Revoked
- [ ] (3028) Certificate of Authority, Expired
- [ ] (3029) Certificate of Authority, Probation
- [ ] (3031) Certificate of Authority, Reinstated
- [ ] (3034) Certificate of Authority, Surrendered
- [ ] (3036) Certificate of Authority, Other (enter up to 50 char)
- [ ] (3042) Cease and Desist from Violations
- [ ] (3043) Cease and Desist from all Insurance Activity
- [ ] (3045) Consent Order
- [ ] (3046) Stipulated Agreement/Order
- [ ] (3047) Ordered to provide requested information
- [ ] (3050) Temporary Restraining Order
- [ ] (3055) Reprimand
- [ ] (3060) Hearing Waiver
- [ ] (3065) Show Cause
- [ ] (3070) Re-exam
- [ ] (3075) Rescission of
- [ ] (3076) Involuntary Forfeiture
- [ ] (3078) Restitution
- [ ] (3079) Suspended from writing new business; renewals ok
- [ ] (3080) Supervision
- [ ] (3085) Rehabilitation
- [ ] (3090) Liquidation
- [ ] (3095) Conservatorship
- [ ] (3100) Receivership
- [ ] (3101) Ancillary Receivership
- [ ] (3102) Monetary Penalty
- [ ] (3103) Aggregate Monetary Penalty
- [ ] (3104) Settlement
- [ ] (3105) Other (you must enter up to 50 char)

Complete as needed

Time or Length of Order: Ind (If DAYS, enter number of days)
* Length of time required for Suspensions, Probations and Supervisions.

Complete as needed

Penalty/Fine/Forfeiture $ Enter amount in whole dollars only. Do not use punctuation.

Required, please complete

Action Date: 2/28/2005

Required, please complete

Effective Date: 2/28/2005

Required, please complete

File Reference # 05-005 12.01-066780J

Enter up to 25 Characters. No punctuation

CONTACT INFORMATION

Required. Please complete.

Action State TN Contact Name: Last Fussell First: Kathy MI:

Phone: (615) 741 - 1670 e-mail address: Kathy.Fussell@state.tn.us

Mail completed form to: NAIC, RIRS, 2304 McGee Suite 800 Kansas City, Mo 64108

Or

Fax completed form to: NAIC, RIRS, 816.460.7510 or e-mail to: mktdata@naic.org (Re: RIRS)

ENTITY FUNCTION CODES

Code	Description	Code	Description	Code	Description
ADJ	Adjuster/Appraiser	KEE	Key Employee	RRF	Risk Retention Group
AIR	Alien Insurer/Reinsurer	MET	MET/MEWA	SCY	Security
CAI	Captive Insurer	MGA	Managing General Agent	SEC	Secretary
CEO	Chief Executive Officer	OFF	Officer	SEI	Self Insured
COO	Chief Operating Officer	OTH	Other	STF	State Funded
DIT	Director/Trustee	PFC	Premium Finance Co.	TPA	Third Party Administrator
EMP	Employee	PRE	President	UDI	U.S. Domiciled Insurer
HCP	Health Care Provider	PRI	Principal/Owner	UNK	Unknown
HMO	Health Maintenance Org.	PRO	Producer (agency, brokerage etc)	URO	Utilization Review Org.
INC	Insurance Consultant	REI	Reinsurance Intermediary	VIP	Vice President