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

IN THE MATTER OF:	)	
	)	**No.: 08-094**
FARMERS MUTUAL OF TENNESSEE	)	
	)	

RECEIVED
JUN 26 2008
Dept. Of Commerce & Insurance
Company Examinations

ORDER ADOPTING EXAMINATION REPORT WITH DIRECTIVES

Pursuant to Tenn. Code Ann. §§ 56-1-401, *et seq.*, the Insurance Division of the 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 the 31st day of December, 2006, the examiner-in-charge filed with the Division, on the 28th day of May, 2008, a verified, written report on examination of the Company ("Report"), and a copy of the Report is attached hereto and marked as Exhibit A. A copy of the report was sent to the Company on May 29, 2008. The Division received the Company's written response waiving rebuttal to the Report on June 18, 2008, and a copy of the response is attached hereto and marked as Exhibit B.

Pursuant to Tenn. Code Ann. § 56-1-411, said examination report regarding the affairs of the Company, filed with the Division on the 28th day of May, 2008, is hereby **ADOPTED** as filed with the following **DIRECTIVES**:

1. The Company is **DIRECTED** to place the securities it moved after the examination date with an approved custodial bank as defined by Tenn. Comp. R. & Reg. 0780-1-46-.03(1) and The Tennessee Department of Commerce and Insurance Policy Statement No. 1.

2. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-501(g) by reporting the correct designations of securities shown in its annual statement, as required by the Statement of Statutory Accounting Principles ("SSAP") No. 26, paragraph 7 of the National Association of Insurance Commissioners Accounting Practices and Procedures Manual ("AP&P Manual").

3. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-501(g) by reporting acquisitions and sales of securities on the trade date rather than the settlement date, as required by SSAP No. 26, paragraph 4; SSAP No. 30, paragraph 5; and SSAP No. 32, paragraph 10 of the AP&P Manual.

4. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-501(g) by using the scientific method when amortizing its bonds, as required by SSAP No. 26, paragraph 6 of the AP&P Manual.

5. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-501(g) by reporting its four (4) certificates of deposit with maturity dates in excess of one (1) year from the date of acquisition as bonds rather than as cash in its financial statements, as required by SSAP No. 26, paragraph 2(g) of the AP&P Manual.

6. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-501(g) by depreciating its electronic data processing equipment for a period not exceeding three (3) years, rather than five (5) years, as required by SSAP No. 16, paragraph 3 of the AP&P Manual.

The company shall comply with the Directive 1 contained in this order upon its entry and shall comply with Directives 2 through 6 contained in this order within thirty (30) days of its entry.

The adoption of this examination report shall not preclude the Division from imposing sanctions against the 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 24th day of June, 2008.

Leslie A. Newman

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

PREPARED FOR ENTRY:

Amy B. Smith

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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 messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, Philip Blustein, Chief Examiner, Department of Commerce and Insurance, and Mark Jaquish, Financial Affairs Director, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Farmers Mutual of Tennessee, 903 North Hall of Fame Drive, Knoxville, Tennessee 37917, on this, the 26th day of June, 2008.

Amy B. Smith

Amy B. Smith
Certifying Attorney