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

IN THE MATTER OF:	)	
	)	**No.: 06-118**
HAMBLEN MUTUAL INSURANCE COMPANY	)	

ORDER ADOPTING EXAMINATION REPORT WITH DIRECTIVES

Pursuant to Tenn. Code Ann. §§ 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (hereinafter referred to as the "Division") has examined certain affairs of Hamblen Mutual Insurance Company (hereinafter also referred to as the "Company"), an insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 30th day of June, 2006, the examiner-in-charge filed with the Division, on the 18th day of September, 2006, a verified, written report on the examination, and a copy of that report has been sent to Hamblen Mutual Insurance Company. (The Target Report on Examination of Hamblen Mutual Insurance Company is attached hereto and marked as Exhibit A). The Division received no written rebuttal to said examination report from the Company.

Pursuant to Tenn. Code Ann. § 56-1-411, said examination report regarding the affairs of Hamblen Mutual Insurance Company, filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 18th day of September, 2006, is hereby **ADOPTED** as filed with the following **MODIFICATIONS** and **DIRECTIVES**:

1. The Report on Examination is hereby **MODIFIED** by deleting in its entirety March 12, 2006 on line nine (9) on page eleven (11) of the Report on Examination and replacing it with March 13, 2006.

2. The Report on Examination is hereby **MODIFIED** by adding the following sentence to line nineteen (19) on page eleven (11) after the eighth (8th) sentence of the Report

on Examination: On May 10, 2006, the TDCI received three (3) copies of the Depository Agreement and the Custodial Affidavits signed by the Company and Regions Bank. The Custodial Affidavits were not in the format required by the TDCI. In addition, the TDCI did not have safekeeping receipts indicating that funds were in place and properly pledged; therefore, these documents were not processed.

3. The Report on Examination is hereby **MODIFIED** by deleting in its entirety the second full sentence found on page twelve (12) of the Report on Examination and replacing it with: Furthermore, as of June 30, 2006, the Depository Agreement had not been executed.

4. The Report on Examination is hereby **MODIFIED** by deleting in its entirety the first full paragraph found on page twenty-two (22) of the Report on Examination and replacing it with: On August 7, 2006, the TDCI received and accepted a safekeeping receipt for the company's statutory deposit. This Safekeeping Receipt showed three (3) securities that in totality exceeded the $200,000 market value requirement. A letter from the TDCI dated August 7, 2006, to the Company's Manager requested the Company to execute in triplicate and return to the TDCI an enclosed Depository Agreement – General Deposit and Form C Custodian Affidavit. On August 22, 2006, the TDCI received the requested signed documents from the Company. The Commissioner signed the Depository Agreement on August 29, 2006.

5. The Report on Examination is hereby **MODIFIED** by deleting in its entirety Recommendation Number Three (3), regarding Statutory Deposits, as found on page twenty-six (26) of the Report on Examination.

6. The Company is **DIRECTED** to amend its investment policy to allow for common stocks or restructure their portfolio to comply with their own investment policy.

7. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-3-103 by preventing any director, officer or committee member having any investment authority from accepting any fee, brokerage, commission, gift, or other consideration for any loan, deposit, purchase, sale, payment, or exchange made by or in behalf of such company or be pecuniarily interested in any such purchase, sale, or loan. This compliance includes, but is not limited to, implementing a conflict of interest policy.

8. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-3-408(b)(1) by not making investments and loans, except premium finance loans, unless the investments and loans have been authorized by the board of directors or by a committee appointed by such board and charged with the duty of supervising such investment or loan.

9. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-3-112 and Tenn. Comp. R. & Regs., ch. 0780-1-46 (1999) by maintaining a custodial agreement that complies with all rules within said chapter, should the Company choose an authorized method of holding its securities that requires such an agreement.

10. The Company is **DIRECTED** to cease writing general liability insurance for failing to comply with Tenn. Comp. R. & Regs. 0780-1-65 by not filing the letter of qualification, the engagement letter and disagreement letter.

11. The Company is **DIRECTED** to cease writing general liability insurance for failing to comply with Tenn. Comp. R. & Regs. 0780-1-37 by not filing the required

Management Discussion and Analysis by March 1 of each year.

12. The Company is **DIRECTED** to cease writing general liability insurance for failing to comply with Tenn. Code Ann. § 56-1-501 and Tenn. Comp. R. & Regs 0780-1-37 by not filing its Annual and Quarterly statements including statement amendments.

13. The Company is **DIRECTED** to cease writing general liability insurance for failing to comply with Tenn. Code Ann. § 56-46-110 by not computing its RBC calculation as required.

The company shall comply with the directives contained in this order within thirty (30) days of its entry.

The adoption of this examination report shall not preclude the Department from imposing sanctions against Hamblen Mutual Insurance 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 30th day of November, 2006.

Paula A. Flowers

Paula A. Flowers, Commissioner
Department of Commerce and Insurance
State of Tennessee

PREPARED FOR ENTRY:

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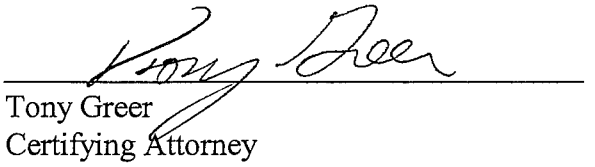
CERTIFICATE OF SERVICE

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, and **Position Vacant**, Chief Examiner, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Hamblen Mutual Insurance Company, 110 North Cumberland Street, Morristown, Tennessee 37814, on this the 30th day of November, 2006.



Tony Greer
Certifying Attorney