

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

IN THE MATTER OF:

EAST TENNESSEE MUTUAL INSURANCE CO.

)
)
) No.: 10-057
)

ORDER ADOPTING EXAMINATION REPORT WITH
DIRECTIVE

Pursuant to TENN. CODE ANN. §§ 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance ("Division") has examined certain affairs of the East Tennessee Mutual Insurance Company ("Company"), an insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31st day of December, 2008, the examiner-in-charge filed with the Division, on the 9th day of July, 2010, a verified, written report on the examination, and a copy of that report has been sent to the East Tennessee Mutual Insurance Company. (The Report on Examination of the East Tennessee Mutual Insurance Company is attached hereto as Exhibit A). The Division received a written response to said examination report from the Company on July 27, 2010. (A copy of the Company's written response is attached hereto as Exhibit B).

Pursuant to the examination report, it is recommended that the Company provide documentation to substantiate the amounts recorded in its Annual Statement. Further, it is recommended that the Company reconcile its differing accounting and record keeping systems in order to maintain consistent record keeping among its internal records maintained in-house.

Pursuant to TENN. CODE ANN. § 56-1-411, said examination report regarding the affairs of the East Tennessee Mutual Insurance Company filed with the Insurance Division of the State

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Dept. of Commerce & Insurance
Company Examinations

of Tennessee Department of Commerce and Insurance on the 9th day of July, 2010, is hereby **ADOPTED** as filed with the following **DIRECTIVE**:

1. The Company is **DIRECTED** to comply with TENN. COMP. R. & REGS. 0780-1-46-.03(2)(a)3 by adding a provision to its custodial agreement with First Tennessee Bank stating that the securities may be withdrawn immediately upon demand of the insurance company.

The adoption of this examination report shall not preclude the Department from imposing sanctions against the East Tennessee 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 Directive merely to adopt the examination report filed by the examiner-in-charge.

It is so **ORDERED**.

ENTERED this the 19th day of August, 2010.

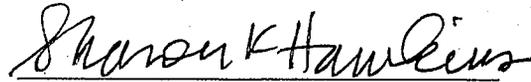
Leslie A. Newman
Leslie A. Newman, Commissioner
Department of Commerce and Insurance
State of Tennessee

PREPARED FOR ENTRY:

Sharon K. Hawkins
Sharon K. Hawkins (BPR # 14470)
Assistant General Counsel
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Nashville, Tennessee 37243
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report with Directive has been messenger mailed to: Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance; Sandy M. Banks, Chief Examiner, Department of Commerce and Insurance; and mailed, first class, postage prepaid, to East Tennessee Mutual Insurance Company, P.O. Box 328, 3188 Highway 126, Blountville, TN 37617, on this the 24th day of August, 2010.



Sharon K. Hawkins
Certifying Attorney