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

TENNESSEE INSURANCE DIVISION,	)	
Petitioner,	)	
	)	
vs.	)	**APD No.: 12.01-133391J**
	)	**TID No.: 15-109**
LUMBERMEN'S UNDERWRITING	)	
ALLIANCE	)	
Respondent.	)	

CONSENT ORDER

WHEREAS, Petitioner, the Tennessee Insurance Division, ("Division") and the Respondent, Lumbermen's Underwriting Alliance ("Respondent"), hereby stipulate and agree, subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance ("Commissioner") as follows:

GENERAL STIPULATIONS

1. It is expressly understood that this Consent 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. This Consent Order is executed by the Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Respondent fully understands that this Consent Order will in no way preclude

additional proceedings by the Commissioner against the Respondent for acts or omissions not specifically addressed in this Consent Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. Respondent fully understands that this Consent Order will in no way preclude proceedings by state government representatives, other than the Commissioner for violations of the Law addressed specifically in this Consent Order, against the Respondent for violations of law under statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Consent Order by the Respondent.

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

AUTHORITY AND JURISDICTION

6. The Commissioner has jurisdiction over this matter pursuant to Tennessee Insurance Law ("Law"), Title 56 of the Tennessee Code Annotated ("Tenn. Code Ann."), specifically, Tenn. Code Ann. §§ 56-1-101 *et seq.*, 56-1-416, 56-1-201 *et seq.*, 56-2-102 to 103, 56-2-115, and 56-2-305. The Law places on the Commissioner the responsibility of the administration of its provisions.

PARTIES

7. The Division is the lawful agent through which the Commissioner administers the Law and is authorized to bring this action for the protection of the public.

8. Respondent is an insurance company licensed by the Commissioner to conduct insurance business in the State of Tennessee. The principal place of business on file with the Division is: 1905 Northwest Corporate Boulevard, Boca Raton, Florida 33431-7303.

FINDINGS OF FACT

9. Respondent is a reciprocal inter-insurance exchange domiciled in the State of Missouri.

10. Respondent has received a Certificate of Authority to sell casualty, property, and surety insurance in the State of Tennessee, thereby subjecting Respondent to regulations pursuant to the Law, specifically Tenn. Code Ann. §§ 56-1-101, *et seq*.

11. According to Respondent's December 31, 2014 financial statement, Respondent's net loss as of December 31, 2014, was one hundred one million, nine hundred fifty-nine thousand, two dollars ($101,959,002), thus rendering Respondent insolvent.

12. Respondent's risk-based capital ("RBC") for 2014 is ***negative*** one hundred sixty-nine and two tenths percent (-169.2%).

13. According to Respondent's March 31, 2015 quarterly financial statement, Respondent's surplus was ***negative*** forty-one million, eight hundred eighty-four thousand, one hundred sixty-five dollars (-$41,884,165) which is subject to statutorily mandated minimum surplus requirements.

14. According to Respondent's March 31, 2015 quarterly statement, Respondent's direct loss was nine million, five hundred seventy-two thousand, five hundred seven dollars ($9,572,507) while Respondent's direct premium written in Tennessee was twenty-one million, eight hundred ninety-nine thousand, eight hundred eighty-nine dollars ($21,899,889).

15. According to Respondent's March 31, 2015 quarterly statement, Respondent's net loss as of March 31, 2015, was eighteen million, five hundred seventy-one thousand, one

hundred twenty-seven dollars ($18,571,127), as such, Respondent continues to be insolvent.

16. On or about May 19, 2015, Respondent was placed into Rehabilitation by the Missouri Department of Insurance.

CONCLUSIONS OF LAW

17. Pursuant to Tenn. Code Ann. §§ 56-2-114 and 56-2-115, Respondent must keep One Million Dollars ($1,000,000) in both capital and surplus.

18. Tenn. Code Ann. §§ 56-46-102, 56-46-107, and 56-46-111 require insurance companies operating in this state to maintain a Mandatory Control Level RBC of at least seventy percent (70%) and enables the Commissioner to place any noncompliant insurer under regulatory control.

19. Tenn. Comp. R. & Regs. 0780-01-66-.03(1) provides that the Commissioner may consider "[a]dverse findings reported in financial condition and market conduct examination reports, audit reports, and actuarial opinions, reports or summaries[]" in determining whether an insurance company transacting business in this state is in hazardous financial condition.

20. Tenn. Comp. R. & Regs. 0780-01-66-.03(2) provides that the Commissioner may consider "[t]he National Association of Insurance Commissioners Insurance Regulatory Information System and its other financial analysis solvency tools and reports[]" in determining whether an insurance company transacting business in this state is in hazardous financial condition.

21. Tenn. Comp. R. & Regs. 0780-01-66-.03(16) provides that the Commissioner may consider "[w]hether the insurer has experienced or will experience in the foreseeable future cash flow or liquidity problems[]" in determining whether an insurance company transacting business in this state is in hazardous financial condition.

22. 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.

23. By virtue of the fact that the Respondent is in violation of Tenn. Comp. R. & Reg. 0780-01-66-.03, Respondent is in an unsound financial condition under Tennessee Law and, thus, subject to sanctions under Tenn. Code Ann. § 56-1-416.

ORDER

NOW THEREFORE, on the basis of the foregoing and Respondent's waiver of the right to a hearing and appeal under the Law and Tennessee's Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101, to 4-5-404 (2011), and Respondent's admission of jurisdiction of the Commissioner, the Commissioner finds that Respondent, for the purpose of settling this matter, admits the Findings of Fact and Conclusions of Law, agrees to the entry of this Order and agrees that this Order is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Law.

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. During such period, 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 or that the insured has a contractual right to renew. Should the

Commissioner determine that Respondent's financial condition is no longer unsound, she may at any time remove the suspension of Respondent's Certificate of Authority provided Respondent meets all requirements for Tenn. Code Ann. §§ 56-1-501, 56-1-502, 56-2-101 through 56-2-104, 56-2-113 through 56-2-115, 56-2-201 and 56-2-301. 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 Respondent's Certificate of Authority is not reinstated within two (2) years from the date of this Order, unless the Commissioner has extended the suspension period, the Respondent's Certificate of Authority shall be automatically revoked without further action by the Commissioner or the Division.

2. Except as otherwise directed by the Court having jurisdiction over the rehabilitation, Respondent shall continue to service existing policyholders, adjust losses and pay fees, licenses, and taxes as required by the Law.

This Consent Order is in the public interest and in the best interests of the parties. This Consent Order represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signature affixed below, Lumbermen's Underwriting Alliance affirmatively states that it has freely agreed to the entry of this Consent 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 Consent 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 Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

Nothing in this Consent 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 21st day of December, 2015.

Julie Mix McPeak

Julie Mix McPeak, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

Lumbermen's Underwriting Alliance
Bruce E. Baty
Deputy Receiver for Lumbermen's
Underwriting Alliance

Michael Humphreys
Assistant Commissioner for Insurance
Department of Commerce and Insurance

Respectfully Submitted,

Kathleen Dixon BPR # 32072
Assistant General Counsel
500 James Robertson Parkway
Davy Crockett Tower
Nashville, TN 37243
(615) 532-6830
kathleen.dixon@tn.gov