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

TENNESSEE INSURANCE DIVISION,	)	
	)	
Petitioner,	)	
vs.	)	
	)	**TID No.: #15-138**
PREFERRED AUTO INSURANCE COMPANY,	)	
	)	
Respondent.	)	

CONSENT ORDER

Petitioner, the Tennessee Insurance Division ("Division"), and Preferred Auto Insurance Company ("Respondent"), hereby stipulate and agree, subject to the approval of the Commissioner of the 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 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 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 all rights to seek judicial review of or to otherwise challenge or contest the validity of the 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, §§ 56-1-101, 56-1-202, 56-2-305, 56-11-106(a)(2), and 56-11-111(a). 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: 216 South Cooper, Memphis, Tennessee 38104.

FINDINGS OF FACT

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

10. Sometime during 2014, Respondent entered into a cost sharing agreement with Granite, LLC ("Granite") for the sharing of costs for payment of the salaries, payroll taxes, and employee benefits for Respondent's officers.

11. In 2014, Respondent reported on its 2014 Form B, Item 5, that Respondent had no cost sharing agreements as of December 31, 2014.

12. However, Respondent reported on its 2014 Audited Financial Statement that it had an effective cost sharing agreement with Granite.

13. Respondent did not file a Form D to disclose this cost sharing agreement in 2014 or 2015.

14. In fact, Respondent did not file a Form D regarding this cost sharing agreement until on or about August 18, 2015, at which time Respondent filed the mandatory Form D disclosing the cost sharing agreement between Respondent and Granite, with a proposed retroactive effective date of January 1, 2015.

CONCLUSIONS OF LAW

15. Tenn. Code Ann. § 56-11-106(a)(2)(D) provides, in pertinent part, that a domestic insurer may not enter into a cost sharing agreement without notifying the Commissioner in writing of its intention to enter into the management agreement or service contract at least thirty (30) days prior thereto.

19. After notice and hearing, Tenn. Code Ann. § 56-11-111(a) imposes a penalty of

not more than one hundred dollars ($100) for each day's delay on any insurer required to file a registration statement, up to a maximum penalty of ten thousand dollars ($10,000).

20. By virtue of the fact that the Respondent is in violation of Tenn. Code Ann. § 56-11-106(a)(2)(D), Respondent is subject to sanctions under Tenn. Code Ann. § 56-11-111(a).

ORDER

NOW THEREFORE, on the basis of the foregoing, and Respondent's waiver of the right to a hearing and appeal under the Act and the 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 the 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. § 56-11-111(a) of the Tennessee Insurance Law, that:

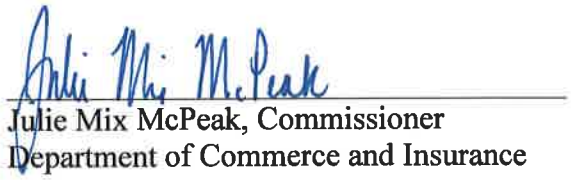
Respondent shall pay the Division a monetary civil penalty in the total sum of one thousand dollars ($1,000).

This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signatures affixed below, Respondent, Preferred Auto Insurance Company, affirmatively states it has freely agreed to the entry of this Consent Order, that it waives the 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 to it 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 as 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 Respondent should such action, in the opinion of the Insurance Division or the Commissioner, be necessary.

ENTERED this the 11th day of December, 2015.



Julie Mix McPeak, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

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Respectfully Submitted,

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