

REPORT ON

MARKET CONDUCT EXAMINATION

of the

CAROLINA FARMERS MUTUAL INSURANCE COMPANY

Asheboro, North Carolina

BY REPRESENTATIVES OF THE

NORTH CAROLINA DEPARTMENT OF INSURANCE

as of

January 27, 2012

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Raleigh, North Carolina
January 27, 2012

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
430 N. Salisbury Street
Raleigh, North Carolina 27603

Honorable Commissioner:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131, a general examination has been made of the market conduct activities of

CAROLINA FARMERS MUTUAL INSURANCE COMPANY
(NAIC #10720)
NAIC Exam Tracking System Exam Number: NC027-M120
Asheboro, North Carolina

hereinafter generally referred to as the Company, at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

FOREWORD

This examination reflects the North Carolina insurance activities of Carolina Farmers Mutual Insurance Company. The examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report, as reference to any practices, procedures, or files that manifested no improprieties were omitted.

SCOPE OF EXAMINATION

This examination commenced on October 20, 2011 and covered the period of January 1, 2008 through December 31, 2010 with analyses of certain operations of the Company being conducted through January 20, 2012. All comments made in this report reflect conditions observed during the period of the examination.

The examination was arranged and conducted by the Department. It was made in accordance with Market Regulation standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC) and accordingly included tests of policyholder treatment, marketing, underwriting practices, terminations and claims practices.

It is the Department's practice to cite companies in apparent violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 0 percent for consumer complaints, sales and advertising, producers who were not appointed and/or licensed, and the use of forms and rates/rules that were neither filed with nor approved by the Department; 7 percent for claims; and 10 percent for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing an apparent violation, the Department issues a reminder to the company.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with Company procedures and practices in the following areas:

Consumer Complaints – complaint was not listed on the Company’s complaint register and the Company’s National Association of Insurance Commissioners (NAIC) code was not included on responses to consumer complaints.

Underwriting Practices – applications accepted from producers not properly appointed by the Company for homeowners and farmowners.

Terminations – incomplete file documentation for dwelling fire and farmowners cancellations.

Specific violations related to each area of concern are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site www.ncdoi.com by clicking “INSURANCE DIVISIONS” then “LEGISLATIVE SERVICES”.

This examination identified various non-complaint practices, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify or criticize improper or non-compliant business practices in North Carolina or in other jurisdictions does not constitute acceptance of such practices. Examination report findings that do not reference specific insurance laws, regulations, or bulletins are presented to improve the Company’s practices and ensure consumer protection.

COMPANY OVERVIEW

History and Profile

In 1892, Farmers Mutual Insurance began in North Carolina by a special act of the Legislature. In 1980, the Farmers Mutual Businessman's Insurance Company of Randolph County was organized as a separate branch of the state association.

Effective January 1, 1994, the Farmers Mutual Businessman's Insurance Company of Randolph County was chartered as a separate and independent corporation replacing the Farmers Mutual Fire Insurance Association of North Carolina. In 1996, the Farmers Mutual Businessman's Insurance Company of Randolph County assumed all policies of Farmers Mutual Insurance Company of Randolph County. Also in 1996, the charter of the Farmers Mutual Businessman's Insurance Company of Randolph County was amended to change its name to Carolina Farmers Mutual Insurance Company and to change from a county mutual to a limited assessable mutual with multiple line authority.

Mecklenburg Farmers Mutual Insurance Company merged into Carolina Farmers Mutual Insurance Company on January 1, 2000 bringing all of its policyholders and surplus as the same ratio of surplus to assessments that Carolina Farmers Mutual Insurance Company had at that time.

Company Operations and Management

The Company is a writer of personal and commercial coverages. The Company is licensed only in North Carolina.

Direct written premium for the Company in 2010 was \$3,088,008. Premium writings in North Carolina between 2008 and 2010 increased approximately 19.4 percent. The charts below outline the Company's mix of business for selected lines in 2010 and loss ratios for the examination period.

Line of Business	Written Premium	Percentage
Homeowners	\$1,745,902	56.5
Farmowners	\$ 709,606	23.0
Fire and Allied Lines	\$ 492,960	16.0
Commercial Multiple Peril	\$ 93,452	3.0
Other Liability	\$ 30,145	1.0
Inland Marine	\$ 15,943	0.5
Total	\$3,088,008	100.0

Year	Written Premium	Earned Premium	Incurred Losses	Loss Ratio
2008	\$2,585,681	\$2,628,180	\$1,153,946	43.9
2009	\$2,714,291	\$2,606,972	\$1,957,068	75.1
2010	\$3,088,008	\$2,911,326	\$1,900,347	65.3

Certificate of Authority

The Certificates of Authority issued to the Company were reviewed for the period under review. These certificates were reviewed to determine compliance with the provisions of NCGS 58-7-15. The Company's writings in North Carolina were deemed to be in compliance with the authority granted.

Disaster Recovery Procedures

The Company has a business recovery plan in place that details the back up and recovery of its critical business functions and operations in the event of business interruptions that could affect the Company's information systems processing. The Company keeps its entire system on a back-up hard drive, with current data backed up daily, in a safe deposit box at a bank. Daily data backups are also kept in a fire resistant file cabinet on premises.

POLICYHOLDER TREATMENT

Consumer Complaints

The Company's complaint handling procedures were reviewed to determine compliance with applicable North Carolina statutes and rules. The Company's complaint register was reconciled with a listing furnished by the Consumer Services Division of the Department. The

Company was deemed to be in apparent violation of the provisions of Title 11 of the North Carolina Administrative Code (NCAC), Chapter 19, Section 0103 as 1 complaint (33.3 percent error ratio) was not listed on the Company's complaint register.

All 3 complaints contained in the Department's listing were selected and received for review. The distribution of complaints requiring a response to the Department is shown in the chart below.

Type of Complaint	Total
Claims	3
Total	3

The Company's response to each complaint was deemed to be appropriate to the circumstances. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 4.0123 as the response to 2 Departmental inquiries (66.7 percent error ratio) did not include the Company's National Association of Insurance Commissioners (NAIC) code.

The average service time to respond to a Departmental complaint was 2.0 calendar days. A chart of the Company's response time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	3	100.0
Total	3	100.0

Privacy of Financial and Health Information

The Company provided privacy of financial and health information documentation for the examiners' review. The Company exhibited policies and procedures in place so that nonpublic personal financial or health information is not disclosed unless the customer or consumer has authorized the disclosure. The Company was found to be compliant with the provisions of NCGS 58-39-25, 58-39-26, and 58-39-27.

MARKETING

Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. Emphasis of the review was placed on the following lines of business:

1. Homeowners
2. Dwelling Fire
3. Farmowners

Policy form filings for the dwelling fire line of business were made to the Department directly by the Company. Policy form filings for the homeowners and farmowners lines of business were made by American Association of Insurance Services on behalf of the Company.

The provisions stipulated under 11 NCAC 10.1102(10)(f) exempt the Company from having to submit rate filings to the Department. The Company promulgates its own rates.

Sales and Advertising

Sales and advertising practices of the Company were reviewed to determine compliance with the provisions of NCGS 58-63-15. The Company does not conduct any form of advertising.

No unfair or deceptive trade practices were noted in this segment of the examination.

Producer Licensing

The Company's procedures for appointment and termination of its producers were reviewed to determine compliance with the appropriate North Carolina statutes and rules. Fifty appointed and 50 terminated producer files were randomly selected and received for review from populations of 105 and 55, respectively.

All appointment and termination forms reviewed were submitted to the Department in accordance with the timetables stipulated under the provisions of NCGS 58-33-40 and 58-33-56.

The Company was reminded of the provisions of NCGS 58-33-56(d) as they failed to mail notification of termination to the producer for 2 files reviewed (4.0 percent error ratio).

Agency Management

The Company conducts its business through licensed independent producers. The Company is currently represented by 46 agencies and 190 producers in North Carolina. The marketing effort in North Carolina is the responsibility of the Director of Marketing located in the home office. The Director of Marketing is responsible for producer appointments, terminations and licensing.

The President and Director of Marketing conduct annual reviews to monitor its agencies performance. The Company offers a standard agency contract to its agencies.

UNDERWRITING PRACTICES

Overview

The Company's marketing philosophy in North Carolina focuses on personal and commercial lines. The Company provided the examiners with listings of the following types of active policies for the period under examination:

1. Homeowners
2. Dwelling Fire
3. Farmowners

A random selection of 150 policies was made from a total population of 1,837. Each policy was reviewed for adherence to underwriting guidelines, file documentation and premium determination. Additionally, the policies were examined to determine compliance with the appropriate North Carolina statutes and rules, policy provisions and the applicable policy manual rules.

Homeowners

The Company provided a listing of 1,347 active homeowners policies issued during the period under examination. Fifty policies were randomly selected and received for review.

The Company's homeowners policies were written on an annual basis. Coverages were written utilizing independent rates. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines.

All policy files reviewed contained sufficient documentation to support the Company's application of its rates and premiums charged.

The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-40 as the producer was not properly appointed by the Company for 1 of the active homeowners files reviewed (2.0 percent error ratio).

Dwelling Fire

The Company provided a listing of 243 active dwelling fire policies issued during the period under examination. Fifty policies were randomly selected and received for review.

The Company's dwelling fire policies were written on an annual basis. Coverages were written utilizing independent rates. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines.

All policy files reviewed contained sufficient documentation to support the Company's application of its rates and premiums charged.

Farmowners

The Company provided a listing of 247 active farmowners policies issued during the period under examination. Fifty policies were randomly selected and received for review.

The Company's farmowners policies were written on an annual basis. Coverages were written utilizing independent rates. Risk placement was determined by the Company's underwriting guidelines and the underwriter.

The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-40 as the producers were not properly appointed by the Company for 3 of the active farmowners files reviewed (6.0 percent error ratio).

While the Company is not required to file its rates, the rates must be applied in a fair and consistent manner and in accordance with the Company's rate structure. The Company was reminded of the provisions of its rating manual as 3 policies reviewed (6.0 percent error ratio) were rated incorrectly. The rating errors consisted of the following:

- 2 policies were rated using an incorrect territory.
- 1 policy was rated using an incorrect high value/credit score deviation.

The rating errors resulted in premium overcharges to the insureds. At the request of the examiners, refunds were issued in the amount of \$255.00. The remaining 47 premiums charged were deemed correct.

TERMINATIONS

Overview

The Company's termination procedures were reviewed to determine compliance with the appropriate North Carolina statutes and rules, policy provisions and the applicable policy manual rules. The review focused on the following lines of business:

1. Homeowners
2. Dwelling Fire
3. Farmowners

Special attention was placed on the validity and reason for termination, timeliness in issuance of the termination notice, policy refund (where applicable) and documentation of the policy file. A total of 1,872 policies were terminated during the period under examination. The examiners randomly selected 306 terminations for review.

Homeowners Cancellations

Fifty cancelled homeowners policies were randomly selected and received for review from a population of 852.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

Reason for Cancellation	Number of Policies	Percentage
Nonpayment of premium	23	46.0
Insured's request	20	40.0
Underwriting reasons	4	8.0
Rewritten	2	4.0
Finance company request	1	2.0
Total	50	100.0

The Company was not required to issue cancellation notices for 23 of the cancellations reviewed as these policies were cancelled at the request of the insured, the premium finance company, or coverage was rewritten. Cancellation notices for the remaining 27 policies stated the specific reason for cancellation.

All premium refunds were deemed correct. The Company issued the refunds in a timely manner.

The final area of this review encompassed documentation of the policy file. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 3 files reviewed (6.0 percent error ratio) did not contain proof of mailing of the cancellation notice to the insured. The remaining policy files reviewed contained sufficient documentation to support the action taken by the Company.

Dwelling Fire Cancellations

Fifty cancelled dwelling fire policies were randomly selected and received for review from a population of 550.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

Reason for Cancellation	Number of Policies	Percentage
Nonpayment of premium	31	62.0
Insured's request	11	22.0
Coverage rewritten	5	10.0
Finance company request	2	4.0
Underwriting reasons	1	2.0
Total	50	100.0

The Company was not required to issue cancellation notices for 18 of the cancellations reviewed as these policies were cancelled at the request of the insured, the premium finance company, or the coverage was rewritten. Cancellation notices for the remaining 32 policies stated the specific reason for cancellation.

All premium refunds were deemed correct. The Company issued the refunds in a timely manner.

The final area of this review encompassed documentation of the policy file. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 5 files reviewed (10.0 percent error ratio) did not contain proof of mailing of the cancellation notice to the insured and/or the mortgage company. The remaining policy files reviewed contained sufficient documentation to support the action taken by the Company.

Farmowners Cancellations

Fifty cancelled farmowners policies were randomly selected and received for review from a population of 205.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

Reason for Cancellation	Number of Policies	Percentage
Nonpayment of premium	23	46.0
Insured's request	19	38.0
Coverage rewritten	4	8.0
Finance company request	2	4.0
Underwriting reasons	2	4.0
Total	50	100.0

The Company was not required to issue cancellation notices for 25 of the cancellations reviewed as these policies were cancelled at the request of the insured, the premium finance company, or the coverage was rewritten. Cancellation notices for the remaining 25 policies stated the specific reason for cancellation.

All premium refunds were deemed correct. The Company issued the refunds in a timely manner.

The final area of this review encompassed documentation of the policy file. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 5 files reviewed (10.0 percent error ratio) did not contain proof of mailing of the cancellation notice to the insured and/or the mortgage company. The remaining policy files reviewed contained sufficient documentation to support the action taken by the Company.

Homeowners Nonrenewals

Fifty nonrenewed homeowners policies were randomly selected and received for review from a population of 137.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage
Producer no longer appointed	30	60.0
Underwriting reasons	20	40.0
Total	50	100.0

The nonrenewal notices for the policies reviewed stated the specific reason for nonrenewal. The Company was reminded of the provisions of NCGS 58-36-90 as 1 policy reviewed (2.0 percent error ratio) was nonrenewed based solely on the insured's credit scoring.

The final area of this review encompassed documentation of the policy file. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 3 files reviewed (6.0 percent error ratio) did not contain proof of mailing of the nonrenewal notice to the insured and/or mortgage company. The remaining files reviewed contained sufficient documentation to support the action taken by the Company.

Dwelling Fire Nonrenewals

The entire population of 34 nonrenewed dwelling fire policies was selected and received for review.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage
Underwriting reasons	26	76.5
Producer no longer appointed	8	23.5
Total	34	100.0

The nonrenewal notices for the policies reviewed stated the specific reason for nonrenewal.

The final area of this review encompassed documentation of the policy file. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 1 file reviewed (2.9 percent error ratio) did not contain proof of mailing of the nonrenewal

notice to the insured and the mortgage company. The remaining files reviewed contained sufficient documentation to support the action taken by the Company.

Farmowners Nonrenewals

The entire population of 22 nonrenewed farmowners policies was selected and received for review.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage
Underwriting reasons	12	54.5
Producer no longer appointed	10	45.5
Total	22	100.0

The nonrenewal notices for the policies reviewed stated the specific reason for nonrenewal. The Company was reminded of the policy conditions as the nonrenewal notice for 1 policy reviewed (4.5 percent error ratio) was not issued at least 45 days prior to the expiration date of the policy.

The final area of this review encompassed documentation of the policy file. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 2 files reviewed (9.1 percent error ratio) did not contain proof of mailing of the nonrenewal notice to the insured. The remaining files reviewed contained sufficient documentation to support the action taken by the Company.

Declinations/Rejections

Fifty declined/rejected applications were randomly selected and received for review from a population of 72.

All applicants were advised of the precise reason for declination/rejection. All files reviewed contained sufficient documentation to support the action taken by the Company.

CLAIMS PRACTICES

Overview

The Company's claims practices were reviewed to determine compliance with the appropriate North Carolina statutes and rules and policy provisions. The review encompassed paid, first and third party bodily injury and closed without payment claims.

The Claims Manager oversees the Company's claims operations. The President and/or Director of Marketing may assist with claims. Independent adjusters are engaged on an as-needed basis and do not hold any draft authority. The salvage log is maintained and managed by the Claims Manager. The Company's agency force does not adjust any claims.

One hundred nine claims were randomly selected for review from a population of 778.

Paid Claims

The examiners randomly selected and received 56 of the 629 first party property damage and third party property damage claims paid during the period under examination. The claim files were reviewed for timeliness of payment, supporting documentation and accuracy of payment.

The following types of claims were reviewed and the average payment time is noted in calendar days:

Type of Claim	Payment Time
First party property damage	15.3
Third party property damage	5.0

An incorrect deductible was applied to 1 first party claim file reviewed (2.0 percent error ratio). This resulted in an overpayment of \$750.00 to the policyholder. This matter could result in an apparent violation of the provisions of NCGS 58-63-15(11) if the occurrence is of such frequency as to be considered a general business practice.

All claim files reviewed contained documentation to support the Company's payments. The documentation consisted of appraisals, estimates, repair bills, or inventory listings.

First and Third Party Bodily Injury Claims

The entire population of 3 first and third party bodily injury claims was selected and received for review. The claim files were reviewed to determine whether the Company had engaged in any unfair claims practices. The review of first and third party bodily injury claims disclosed no apparent violations of the provisions of NCGS 58-63-15(11).

Closed Without Payment Claims

Fifty closed without payment claims were randomly selected and received for review from a population of 146. The claims were reviewed to determine if the Company's reasons for closing the claims without payment were valid.

The claim files reviewed contained documentation that supported the Company's reasons for closing the claims without payment. All reasons for denial or closing the files without payment were deemed valid. Claims were denied on an average of 12.7 calendar days for the 3-year period. The review of closed without payment claims disclosed no apparent violations of the provisions of NCGS 58-63-15.

Subrogated Claims

The Company informed the examiners that it did not have any subrogated claims during the period under examination.

Litigated Claims

The Company informed the examiners that it did not have any litigated claims during the period under examination.

SUMMARY

The Market Conduct examination revealed the following:

1. Policyholder Treatment

- a. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0103 as 33.3 percent of the consumer complaints reviewed were not listed on the Company's complaint register.
- b. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 4.0123 as the responses to 66.7 percent of the Departmental inquiries reviewed did not include its National Association of Insurance Commissioners (NAIC) code.

2. Marketing

- a. The Company was reminded of the provisions of NCGS 58-33-56(d) as they failed to mail notification of termination to 4.0 percent of the terminated producers reviewed.

3. Underwriting Practices

- a. The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-40 as the producer was not properly appointed by the Company for 2.0 percent of the active homeowners files reviewed.
- b. The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-40 as the producers were not properly appointed by the Company for 6.0 percent of the active farmowners files reviewed.

4. Terminations

- a. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 6.0 percent of the cancelled homeowners files reviewed did not contain proof of mailing of the cancellation notice to the insured.
- b. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 10.0 percent of the cancelled dwelling fire files reviewed did not contain proof of mailing of the cancellation notice to the insured and/or the mortgage company.
- c. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 10.0 percent of the cancelled farmowners files reviewed did not contain proof of mailing of the cancellation notice to the insured and/or the mortgage company.
- d. The Company was reminded of the provisions of NCGS 58-36-90 as 2.0 percent of the nonrenewed homeowners policies reviewed were nonrenewed based solely on the insured credit scoring.
- e. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 6.0 percent of the nonrenewed homeowners files reviewed did not contain proof of mailing of the nonrenewal notice to the insured and/or the mortgage company.

- f. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 2.9 percent of the nonrenewed dwelling fire files reviewed did not contain proof of mailing of the nonrenewal notice to the insured and the mortgage company.
- g. The Company was reminded of the policy conditions as the nonrenewal notice for 4.5 percent of the farmowners nonrenewals reviewed was not issued at least 45 days prior to the expiration of the policy.
- h. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4) as 9.1 percent of the nonrenewed farmowners files reviewed did not contain proof of mailing of the nonrenewal notice to the insured.

TABLE OF STATUTES AND RULES

<u>Statute/Rule</u>	<u>Title</u>
NCGS 58-2-131	Examinations to be made; authority, scope, scheduling, and conduct of examinations.
NCGS 58-7-15	Kinds of insurance authorized.
NCGS 58-33-40	Appointment of agents.
NCGS 58-33-56	Notification to Commissioner of termination.
NCGS 58-36-90	Prohibitions on using credit scoring to rate noncommercial private passenger motor vehicle and residential property insurance; exceptions.
NCGS 58-39-25	Notice of insurance information practices.
NCGS 58-39-26	Federal privacy disclosure notice requirements.
NCGS 58-39-27	Privacy notice and disclosure requirement exceptions.
NCGS 58-63-15	Unfair methods of competition and unfair or deceptive acts or practices defined.
11 NCAC 4.0123	Use of specific Company name in responses.
11 NCAC 10.1102	Applicability.
11 NCAC 19.0102	Maintenance of Records.
11 NCAC 19.0103	Complaint Records.

11 NCAC 19.0104

Policy Records.

11 NCAC 19.0106

Records Required for Examination.

CONCLUSION

An examination has been conducted on the market conduct affairs of Carolina Farmers Mutual Insurance Company for the period January 1, 2008 through December 31, 2010 with analyses of certain operations of the Company being conducted through January 20, 2012. The Company's response to this report, if any, is available upon request.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of Company operations in the areas of policyholder treatment, marketing, underwriting and rating, terminations and claims practices.

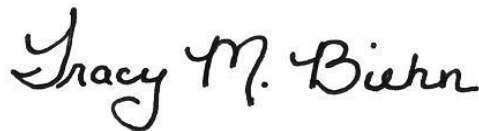
In addition to the undersigned, Kelvin A. Owens, North Carolina Market Conduct Examiner, participated in this examination.

Respectfully submitted,



Norma M. Rafter, CPCU
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Tracy M. Biehn, LPCS, MBA
Deputy Commissioner
Market Regulation Division
State of North Carolina