



REPORT ON

MARKET CONDUCT EXAMINATION

of the

FARMERS MUTUAL INSURANCE COMPANY of GRANVILLE PERSON VANCE

Oxford, North Carolina

BY REPRESENTATIVES OF THE

NORTH CAROLINA DEPARTMENT OF INSURANCE

as of

November 1, 2012

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Raleigh, North Carolina
November 1, 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 through 58-2-134, a general examination has been made of the market conduct activities of

**FARMERS MUTUAL INSURANCE COMPANY of GRANVILLE PERSON VANCE
(NAIC #13975)**

NAIC Exam Tracking System Exam Number: NC299-M20
Oxford, 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 Farmers Mutual Insurance Company of Granville Person Vance. 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 1, 2012 and covered the period of January 1, 2007 through December 31, 2011 with analyses of certain operations of the Company being conducted through October 29, 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.

Producer Licensing – background check was not performed.

Underwriting Practices – incorrect data on homeowners declarations pages, rating errors for mobile homeowners.

Terminations – incorrect cancellation method used for homeowners and mobile homeowners cancellations; specific reason not provided on homeowners nonrenewal notices; insufficient notice provided for farmowners nonrenewals.

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-compliant 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

The Farmers Mutual Fire Insurance Company was organized in 1893. The charter was granted to the association that licensed county mutuals. The Granville County branch began operations in 1898.

In 1963, the Company began writing business in Vance and Person counties.

In 1982, Farmers Mutual Insurance Company was one of the companies that contributed to the formation of Alliance Mutual Insurance Company, enabling the company to write homeowners and farmowners policies.

In 1991, the Company elected to include Franklin, Wake, and Warren counties in addition to Granville, Person, and Vance counties for the 6 contiguous counties the Department would allow.

On December 15, 1993, Articles of Incorporation for Farmers Mutual Insurance Company of Granville Person Vance were filed and certified. The Company continues to operate as an independent chartered county farm mutual.

Company Operations and Management

The Company is a writer of property coverages only and is licensed to write business in Franklin, Granville, Person, Vance, Wake, and Warren counties.

Direct written premium for the Company in 2011 was \$465,139. Premium writings in North Carolina between 2007 and 2011 increased less than 1 percent. The charts below outline the Company's mix of business for selected lines in 2011 and loss ratios for the examination period.

Line of Business	Written Premium	Percentage
Standard Fire	\$334,464	71.9
Homeowners	\$102,011	22.0
Farmowners	\$ 17,200	3.7
Mobile Homeowners	\$ 6,680	1.4
Other	\$ 4,784	1.0
Total	\$465,139	100.0

Year	Written Premium	Earned Premium	Incurred Losses	Loss Ratio
2007	\$464,552	\$474,493	\$ 67,358	14.2
2008	\$478,457	\$470,818	\$ 77,858	16.5
2009	\$482,197	\$485,064	\$ 41,835	8.6
2010	\$493,066	\$484,849	\$185,746	38.3
2011	\$465,139	\$480,724	\$184,808	38.4

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 established recovery procedures to recover systems data and operations from a disaster without loss of pertinent data. Producers are required to maintain active files of all insurance that they have in force at their residence. All files in the home office are kept in fireproof cabinets. The office staff backs up the computer system daily and carries the tape offsite. The Company has a reciprocal agreement with Wilkes Mutual Fire Insurance Company in Millers Creek, North Carolina; that in the event of a disaster, the Company will be able to install the back up tapes into their system to maintain the Company files. The companies are currently using the same software provider.

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	2
Underwriting	1
Total	3

The Company's response to each complaint was deemed to be appropriate to the circumstances.

The average service time to respond to a Departmental complaint was 5.0 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

Social Media

The Company provided responses to the social media inquiries as requested in the interrogatories. The Company does not use any social media outlets.

Policy Forms and Filings

The Company does not have form authority for any of its dual masthead policies. Policy form filings for the Company have been made by Alamance Farmers Mutual Insurance Company since January 1, 2009. Prior to that time, they were made by Alliance Mutual Insurance Company. Emphasis of the review was placed on the following lines of business:

1. Homeowners
2. Dwelling Fire
3. Mobile Homeowners
4. Farmowners

The provisions stipulated under 11 NCAC 10.1102(10)(e) 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. The

Company informed the examiners that 1 producer was appointed and no producers were terminated during the period under examination.

The appointment form reviewed was submitted to the Department in accordance with the timetables stipulated under the provisions of NCGS 58-33-40. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 6A.0412(2) as a background check was not performed for the 1 appointed producer (100 percent error ratio).

Agency Management

The Company conducts its business through 5 captive producers. The marketing effort in North Carolina is the responsibility of the Company President, who is also a licensed producer.

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. Mobile Homeowners
4. Farmowners

A random selection of 110 policies was made from a total population of 342. 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 62 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.

The Company was deemed to be in apparent violation of the provisions of NCGS 58-2-185 as 8 files reviewed (16.0 percent error ratio) were issued with incorrect data on the declarations page.

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:

- An incorrect deductible credit was applied to 2 policies.
- An incorrect deductible credit and New Home Credit was applied to 1 policy.

The rating errors resulted in 1 premium undercharge and 2 premium overcharges to the insureds. At the request of the examiners, refunds in the amount of \$7.00 were issued by the Company for the overcharges. The remaining premiums charged were deemed correct.

Dwelling Fire

The Company provided a listing of 270 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.

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. All policy files

contained sufficient documentation to support the Company's application of its rates. All premiums charged were deemed to be correct.

Mobile Homeowners

The entire population of 7 active mobile homeowners policies issued during the period under examination was selected and received for review.

The Company's mobile 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.

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 deemed to be in apparent violation of the provisions of its rating manual as 2 policies reviewed (28.6 percent error ratio) were rated incorrectly. The rating errors consisted of the following:

- An incorrect deductible credit was applied to 1 policy.
- An incorrect rate was charged for increased coverage B for 1 policy.

The rating errors resulted in premium overcharges to the insureds. At the request of the examiners, refunds in the amount of \$68.00 were issued by the Company for the overcharges. The remaining premiums charged were deemed correct.

Farmowners

The entire population of 3 active farmowners policies issued during the period under examination was 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. No discrepancies were noted in the Company's use of its underwriting guidelines.

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. All policy files contained sufficient documentation to support the Company's application of its rates. All premiums charged were deemed to be 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. Mobile Homeowners
4. 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 383 policies were terminated during the period under examination. The examiners randomly selected 190 terminations for review.

Homeowners Cancellations

Fifty cancelled homeowners policies were randomly selected and received for review from a population of 62.

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
Insured's request	32	64.0
Underwriting reasons	11	22.0
Rewritten	7	14.0
Total	50	100.0

The Company was not required to issue cancellation notices for 39 of the cancellations reviewed as these policies were cancelled at the request of the insured or the coverage was rewritten. Cancellation notices for the remaining 11 policies stated the specific reason for cancellation.

The Company was deemed to be in apparent violation of the policy conditions as the return premium was calculated incorrectly for 24 policies reviewed (48.0 percent error ratio).

- 23 policies were cancelled short rate rather than pro rata.
- 1 policy was cancelled flat rather than pro rata.

The errors resulted in 1 overstatement of refund and 23 understatements of refunds to the insureds. As a result of the incorrect cancellation method applied, the Department requested the Company to conduct a self-audit in that area. The Company identified an additional 3 policies affected (excluding those that were reviewed by the examiners as noted above). Additional refunds totaling \$957.00 were issued. All refund checks were mailed to the insureds by October 18, 2012.

The Company was reminded of the policy conditions as the cancellation notice for 1 policy reviewed (2.0 percent error ratio) was not issued at least 30 days prior to the termination date of the policy.

The final area of this review encompassed documentation of the policy file. All 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 231.

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
Insured's request	42	84.0
Coverage rewritten	7	14.0
Nonpayment of premium	1	2.0
Total	50	100.0

The Company was not required to issue cancellation notices for 49 of the cancellations reviewed as these policies were cancelled at the request of the insured or the coverage was rewritten. The cancellation notice for the remaining policy 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. All policy files reviewed contained sufficient documentation to support the action taken by the Company.

Mobile Homeowners Cancellations

The entire population of 8 cancelled mobile homeowners policies was selected and received for review.

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
Insured's request	4	50.0
Coverage rewritten	3	37.5
Underwriting reasons	1	12.5
Total	8	100.0

The Company was not required to issue cancellation notices for 7 of the cancellations reviewed as these policies were cancelled at the request of the insured or the coverage was

rewritten. The cancellation notice for the remaining policy stated the specific reason for cancellation.

The Company was deemed to be in apparent violation of its cancellation procedures as the return premium was calculated short rate rather than pro rata for 1 policy reviewed (12.5 percent error ratio). The error resulted in an understatement of refund to the insured. At the request of the examiners, a refund in the amount of \$48.00 was issued by the Company for the understatement.

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Company.

Farmowners Cancellations

The entire population of 6 cancelled farmowners policies was selected and received for review.

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
Insured's request	3	50.0
Coverage rewritten	2	33.3
Underwriting reasons	1	16.7
Total	6	100.0

The Company was not required to issue cancellation notices for 5 of the cancellations reviewed as these policies were cancelled at the request of the insured or the coverage was rewritten. The cancellation notice for the remaining policy 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. All policy files reviewed contained sufficient documentation to support the action taken by the Company.

Homeowners Nonrenewals

The entire population of 43 nonrenewed homeowners policies was selected and received for review.

The Company was deemed to be in apparent violation of the provisions of NCGS 58-39-55(a) as the nonrenewal notice for 6 policies reviewed (14.0 percent error ratio) did not provide the specific reason for nonrenewal.

The review revealed the following reason for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage
Underwriting reasons	43	100.0
Total	43	100.0

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)(g) as 2 files reviewed (4.7 percent error ratio) did not contain proof of mailing of the nonrenewal notice to the insured and/or mortgagee. The remaining files reviewed contained sufficient documentation to support the action taken by the Company.

Dwelling Fire Nonrenewals

The entire population of 29 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 reason for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage
Underwriting reasons	29	100.0
Total	29	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. All policy files reviewed contained sufficient documentation to support the action taken by the Company.

Mobile Homeowners Nonrenewals

The entire population of 1 nonrenewed mobile homeowners policy was selected and received for review.

The reason for nonrenewal was deemed valid for the policy reviewed. The review revealed the following reason for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage
Underwriting reasons	1	100.0
Total	1	100.0

The nonrenewal notice for the policy reviewed stated the specific reason for nonrenewal. The final area of this review encompassed documentation of the policy file. The file reviewed contained sufficient documentation to support the action taken by the Company.

Farmowners Nonrenewals

The entire population of 3 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 reason for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage
Underwriting reasons	3	100.0
Total	3	100.0

The nonrenewal notices for the policies reviewed stated the specific reason for nonrenewal. The Company was deemed to be in apparent violation of the provisions of NCGS

58-41-20(b) as the nonrenewal notice for 1 policy reviewed (33.3 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. All files reviewed contained sufficient documentation to support the action taken by the Company.

Declinations/Rejections

The Company reported no declinations/rejections during the exam period.

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, closed without payment and litigated claims.

Claims service in North Carolina is provided by the home office in Oxford, North Carolina. The claims service is under the direction of the President and Secretary of the Company. The President and Secretary have authority to adjust first party losses up to \$2,500 and total losses up to \$15,000. Losses above \$2,500 are sent to outside adjusting firms. These firms do not have draft authority. The Company's agency force does not adjust any claims.

Ninety-seven claims were randomly selected for review from a population of 153.

Paid Claims

The examiners randomly selected and received 50 of the 106 first 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 type of claim was reviewed and the average payment time is noted in calendar days:

Type of Claim	Payment Time
First party property damage	7.3

All payments issued by the Company were deemed to be accurate. Deductibles were correctly applied and depreciation taken was reasonable. All claim files reviewed contained documentation to support the Company's payments. The documentation consisted of appraisals, estimates, repair bills, or inventory listings.

The review of first party property damage claims disclosed no apparent violation of the provisions of NCGS 58-63-15.

Closed Without Payment Claims

The entire population of 46 closed without payment claims was selected and received for review. 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 6.3 calendar days for the 5-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 entire population of 1 litigated claim was selected and received for review. The claim file was reviewed to determine if the Company had engaged in any unfair claims

practices. The review of the litigated claim disclosed no apparent violation of the provisions of NCGS 58-63-15.

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.

2. Marketing

- a. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 6A.0412(2) as background checks were not performed for 100 percent of the appointed producers reviewed.

3. Underwriting Practices

- a. The Company was deemed to be in apparent violation of the provisions of NCGS 58-2-185 as 16.0 percent of the active homeowners policies reviewed were issued with incorrect data on the declarations page.
- b. The Company was reminded of the provisions of its rating manual as 6.0 percent of the active homeowners policies reviewed were rated incorrectly.
- c. The Company was deemed to be in apparent violation of the provisions of its rating manual as 28.6 percent of the active mobile homeowners policies reviewed were rated incorrectly.

4. Terminations

- a. The Company was deemed to be in apparent violation of the policy conditions as the return premium was calculated incorrectly for 48.0 percent of the cancelled homeowners policies reviewed.
- b. The Company was reminded of the policy conditions as the cancellation notice for 2.0 percent of the cancelled homeowners policies reviewed was not issued at least 30 days prior to the termination date of the policy.
- c. The Company was deemed to be in apparent violation of its cancellation procedures as the return premium was calculated incorrectly for 12.5 percent of the cancelled mobile homeowners policies reviewed.
- d. The Company was deemed to be in apparent violation of the provisions of NCGS 58-39-55(a) as the nonrenewal notice for 14.0 percent of the nonrenewed homeowners policies reviewed did not provide the specific reason for nonrenewal.

- e. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4)(g) as proof of mailing of the nonrenewal notice to the insured and/or the mortgagee was not provided for 4.7 percent of the nonrenewed homeowners files reviewed.
- f. The Company was deemed to be in apparent violation of the provisions of NCGS 58-41-20(b) as the nonrenewal notice for 33.3 percent of the nonrenewed farmowners policies reviewed was not issued at least 45 days prior to the expiration date of the policy.

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 58-2-132	Examination reports.
NCGS 58-2-133	Conflict of interest; cost of examinations; immunity from liability.
NCGS 58-2-134	Cost of certain examinations.
NCGS 58-2-185	Record of business kept by companies and agents; Commissioner may inspect.
NCGS 58-7-15	Kinds of insurance authorized.
NCGS 58-33-40	Appointment of agents.
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 58-39-55	Reasons for adverse underwriting decisions.
NCGS 58-41-20	Notice of nonrenewal, premium rate increase, or change in coverage required.
NCGS 58-63-15	Unfair methods of competition and unfair or deceptive acts or practices defined.
11 NCAC 6A.0412	Appointment of agent: responsibility of Company.

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 Farmers Mutual Insurance Company of Granville Person Vance for the period January 1, 2007 through December 31, 2011 with analyses of certain operations of the Company being conducted through October 29, 2012. 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 practices, terminations and claims practices.

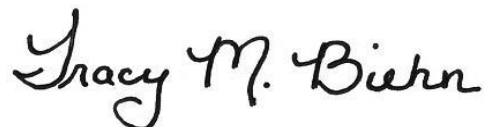
In addition to the undersigned, Kelvin A. Owens and Sharon O'Quinn, North Carolina Market Conduct Examiners, participated in this examination.

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