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BEFORE THE INSURANCE COMMISSIONER  
FOR THE STATE OF ARKANSAS

IN THE MATTER OF  
THE REPORT OF EXAMINATION OF  
GRIFFIN LEGGETT BURIAL  
INSURANCE COMPANY

AID NO. 2005 - 063

ADOPTION ORDER

Now on this day the matter of the Report of Examination ("Report" or "Report of Examination") as of December 31, 2004, of, Griffin Leggett Burial Insurance Company ("Griffin Leggett"), of Little Rock, Arkansas, NAIC No. 84107, is taken under consideration by Julie Benafield Bowman, Insurance Commissioner for the State of Arkansas ("Commissioner"), as presented by Associate Counsel, Ragenea Thompson Hodge, and the Finance Division of the Arkansas Insurance Department ("Department"). From the facts, matters and other things before her, the Commissioner finds as follows:

FINDINGS OF FACT

1. The Commissioner has jurisdiction over the Company and the subject matter involved herein.
2. The Company is an Arkansas-domiciled mutual assessment life insurance company authorized to write assessment life and disability insurance, which includes the coverage of life, disability, credit life and disability, and group life and disability.
3. Pursuant to Ark. Code Ann. §§ 23-61-201 *et seq.*, the Commissioner authorized and directed the Department to conduct a regular examination of the

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affairs, transactions, accounts, records and assets of the Company as of December 31, 2004.

4. Said examination was commenced on August 23, 2005, and was completed on September 2, 2005.

5. The verified Report of Examination was filed with the Department on November 18, 2005; it was then forwarded to the Company via certified mail on November 18, 2005. The Company received the Report on November 21, 2005, according to the certified mail return receipt.

6. The verified Report of Examination contained the following comments concerning the Company's surplus that were either noted or found by the Department's Examiners or consulting actuary:

- ❖ Based on certain reasonable actuarial assumptions, the surplus will decline approximately twenty-one percent (21%) by 2010, yet the Company will maintain sufficient solvency to meet all policyholder obligations and comply with the requirements of the Arkansas Insurance Code until that time;
- ❖ In 2010, it is estimated that total policyholder obligations in force will be approximately \$715,000, and there will be a continuing decline in surplus as the result of an increase in the rate of policyholder attrition;
- ❖ These assumptions and estimates rest upon the continued discounting of claims by affiliated funeral homes as well as unaffiliated funeral homes and the historical ratio of affiliated to

unaffiliated claims. The Company currently receives discounts of one hundred percent (100%) from affiliated funeral homes and thirty percent (30%) from unaffiliated funeral homes where death benefits are received by policyholders;

- ❖ The Company would be unable to meet all of its future policyholder obligations through 2010 without the continuation of the current discount policy.

7. Based on the notations and findings in paragraph 6, *infra*, the Examiners recommended in the Report that the Company consider possible alternatives to ensure (1) that the Company remains solvent as required by the Arkansas Insurance Code; and (2) that all policyholder obligations are fulfilled, including obligations where policyholders choose to have benefits performed at unaffiliated funeral homes.

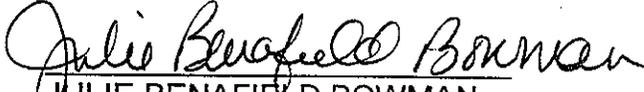
8. The Company responded to the Report on November 30, 2005, which was received the same day by the Finance Division of the Department; the Company stated that it was in receipt of the Examination Report and has "no objections to any comments and/or findings disclosed in the Examination." However, regarding the Examiners' and contract actuary's comment on the Company's surplus, the Company advised that the comment is a concern to the Company's management and will be further investigated. Finally, the Company expressed its appreciation to the Department's Examiners for their very professional conduct during the Examination.

**THEREFORE, pursuant to the provisions of Ark. Code Ann. § 23-61-205, the Commissioner hereby orders:**

1. That the Examination Report, as filed with the Department, is hereby adopted.
2. That within ninety (90) days of the receipt of the Adoption Order and adopted Examination Report the Company shall submit to the Department a written plan to address the Examiners' and actuary's findings and comment regarding the potential for a decline in the Company's surplus; the written plan must include alternatives for how the Company will remain solvent should a decline in surplus occur, and must also include methods to ensure that all policyholder obligations are fulfilled, including obligations where policyholders choose to have benefits performed at unaffiliated funeral homes.
3. That the Department shall forward a copy of this Order and the adopted Examination Report, as filed, to the Company, certified mail. The mailing to the Company shall include specimen affidavit forms for the Company's Directors to use in acknowledgement of receipt of the adopted Revised Report of Examination and this Order.
4. That within twenty (20) days of receipt of this Order and the adopted Examination Report, the Company shall file with the Department affidavits executed by each one of its Directors, stating under oath or affirmation that each has received a copy of this Order and the adopted Examination Report;
5. That the adopted Examination Report shall be open for public inspection upon the expiration of thirty (30) days from the Company's receipt of this Order.

6. That the Department, as a matter of course, reserves the right to consider administrative proceedings against the Company at a later date.

IT IS SO ORDERED this 7<sup>th</sup> day of December 2005.

  
JULIE BENAFIELD BOWMAN  
INSURANCE COMMISSIONER  
STATE OF ARKANSAS