

BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS

IN THE MATTER OF
THE REPORT OF EXAMINATION OF
AMERICAN UNDERWRITERS INSURANCE COMPANY

AID 2007-057

ADOPTION ORDER

Now on this day the matter of the Report of Examination ("Report" or "Report of Examination") as of December 31, 2006, of American Underwriters Insurance Company ("Company"), of Little Rock, Arkansas, NAIC No. 10251, is taken under consideration by Julie Benafield Bowman, Insurance Commissioner for the State of Arkansas ("Commissioner"), as presented by Associate Counsel, Robert Alexander, 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 legal reserve, stock insurance company.
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 affairs, transactions, accounts, records and assets of the Company as of December 31, 2006.
4. Said examination was commenced by the Department on April 23, 2007, and completed on June 06, 2007.

5. The verified Report of Examination was filed according to Ark. Code Ann. § 23-61-205(a)(2) with the Department on June 22, 2007; it was then forwarded to the Company via certified mail on August 03, 2007. The Company received the Report on August 8, 2007, according to the certified mail return receipt.

6. The Company neither responded to the Report nor filed any objections to same.

7. The Report of Examination contains the following comments or discrepancies regarding the Company's operation:

(a) The Company failed to properly appoint the Jack Rhodes Agency prior to accepting business placed by this agency. Prior to the appointment of the Jack Rhodes Agency, \$92,000 of new business was placed with the Company by the agency. These transactions are in violation of Ark. Code Ann. §23-64-219.

(b) The Company included as an asset its EDP computer software. This asset must be considered a non-admitted asset. An adjustment to the Company's surplus was made in the amount of \$113,120.

(c) The Company failed to record bond disposals on the trade date and failed to include acquisition cost when reporting stock purchases.

(d) The Company has not filed with the Commissioner a custodial agreement for the assets held by Stephens, Inc.

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 the Department shall forward a copy of this Order and the adopted Examination Report, as filed, to the Company, via 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 Report of Examination and this Order.
3. That the Company shall make the following changes to address the items noted in the examination:
 - a. The Company shall properly report bond disposals on the trade date as required by SSAP No. 26, paragraph 4.
 - b. The Company shall include acquisition cost when reporting common stock purchases as required by SSAP No. 30 paragraph 5.
 - c. The Company shall file for approval with the Commissioner a custodial agreement for the assets held by Stephens, Inc. as required by Arkansas Insurance Department Rule and Regulation 26.
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 4th day of October 2007.


JULIE BENAFIELD BOWMAN
INSURANCE COMMISSIONER
STATE OF ARKANSAS