

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF THE
REPORT OF EXAMINATION OF
SOUTHERN PIONEER PROPERTY
& CASUALTY INSURANCE COMPANY**

A.I.D. NO. 2009- 015

ADOPTION ORDER

Now on this day the matter of the Report of Examination as of December 31, 2007, of Southern Pioneer Property & Casualty Insurance Company (“Company”), NAIC No. 16047, is taken under consideration by Jay Bradford, Insurance Commissioner for the State of Arkansas (“Commissioner”), as presented by its Associate Counsel, Nina Samuel Carter, and the Finance Division of the Arkansas Insurance Department (“Department”). From the facts, matters and other things before him, the Commissioner finds as follows:

FINDINGS OF FACT

1. That the Commissioner has jurisdiction over the Company and the subject matter involved herein.
2. That the Company is an Arkansas domiciled insurer authorized to transact the business of property, casualty, and surety insurance and is in good standing.
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, 2007.
4. That the examination was commenced by the Department Examiners on September 22, 2008, at the Company home office located at 2816 Longview Drive, Jonesboro, AR 72401 and was completed on November 19, 2008.

5. That the verified Report of Examination (“Report”) was filed with the Department on January 16, 2009; it was then forwarded to the Company via certified mail on January 16, 2009. The Report was received by the Company on January 20, 2009, as evidenced by the certified mail receipt. The Company made no response or rebuttal to the Report.

6. The Report is confined to comments on matters involving departures from laws, rules, bulletins or matters deemed to require explanation or description.

7. The Report contains the following comments or discrepancies regarding the Company’s operation:

- a. The Company was not insured under a fidelity bond as of December 31, 2007. The NAIC’s suggested minimum amount of fidelity insurance for the Company, calculated for this examination, is \$250,000.
- b. It was noted in the course of examination that several agreements with the Company’s investment custodians had not been properly submitted and approved by the Department. The Company was able to execute new agreements with the custodians and those agreements were reviewed and approved by the Department prior to the issuance of the report.

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 to the Company via certified mail;

3. That within twenty (20) days of its receipt of this Order and the adopted Examination Report, the Company shall file with the Department affidavits executed by each of its Directors, stating under oath or affirmation that each has received a copy of this Order and the adopted Examination Report; and

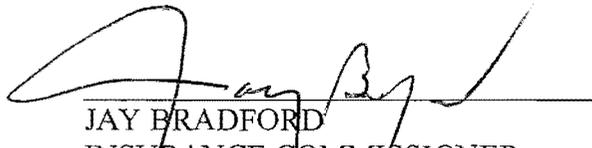
4. That the adopted Examination Report will be open for public inspection upon the expiration of thirty (30) days from the Company's receipt of this Order.

5. That after receipt, the Company is hereby ordered and directed to:

- a. Have its Board of Directors discuss and consider the purchase of a fidelity bond for its officers or directors and/or management personnel in the amount of \$250,000 for full compliance with the recommendation of the NAIC for a Company this size; alternately, the Company may wish to consider obtaining this type protection under its current business package policy. The Company is directed to file with the Department a copy of any new policy or fidelity bond, policy declarations page, endorsement, or certificate clearly identifying the additional coverage after any purchase; or alternately file a letter-statement with the Department within forty-five (45) days, indicating that after such discussion the Directors opted not to purchase the larger bond or policy limits; and

- b. Ensure that any future custodial agreements are filed with the Department for approval as required by the NAIC Financial Condition Examiners Handbook and Ark. Code Ann. § 23-69-134.

IT IS SO ORDERED THIS 26th DAY OF February, 2009.



JAY BRADFORD
INSURANCE COMMISSIONER
STATE OF ARKANSAS