

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

**IN THE MATTER OF THE
PROPOSED CONVERSION OF FARMERS
UNION MUTUAL INSURANCE COMPANY
TO A MUTUAL INSURANCE COMPANY AND
PROPOSED MERGER OF FARMERS UNION
MUTUAL INSURANCE COMPANY WITH
TOWN AND COUNTRY INSURANCE COMPANY**

A.I.D. NO. 2010- 100

ORDER

A hearing was held on December 9, 2010 at 10:00 a.m., in the Hearing Room of the Arkansas Insurance Department in accordance with the provisions of Ark. Code Ann. § 23-69-143 and 23-73-117 and other pertinent provisions of the Arkansas Insurance Code, pursuant to a PLAN OF CONVERSION OF FARMERS UNION MUTUAL INSURANCE COMPANY AND PLAN AND AGREEMENT OF MERGER by and between FARMERS UNION MUTUAL INSURANCE COMPANY (“Farmers Union”) an Arkansas farmers mutual aid association, with its home office in Arkansas located at 2215 North Reynolds Road, Bryant, Arkansas 72022, NAIC No. 37613, and TOWN AND COUNTRY MUTUAL INSURANCE COMPANY (“Town and Country”), an Arkansas mutual insurance company, with its home office in Arkansas located at 2215 North Reynolds Road, Bryant, Arkansas 72022, NAIC No. 18252, which is taken under consideration by Lenita Blasingame (“Hearing Officer”), Chief Deputy Commissioner, pursuant to her appointment by Commissioner Jay Bradford (“Commissioner”) in accordance with Ark. Code Ann. § 23-61-163. The Insurance Department (“Department”) was represented by Ashley Fisher, Attorney Specialist, and Brenda Haggard, Manager of Financial Analysis. Both Town and Country and Farmers Union were represented by Jesse Schalk, Secretary of both companies, and by their attorneys, Mitchell, Williams, Selig, Gates & Woodyard, through Derrick Smith. From the facts, matters and other things before him, the Commissioner finds as follows:

FINDINGS OF FACT

1. That the Commissioner has jurisdiction over Farmers Union and Town and Country and the subject matter involved herein;

2. That Farmers Union is an Arkansas farmers mutual aid association formed under Ark. Code Ann. § 23-73-101, et seq.;
3. That Town and Country is an Arkansas mutual insurance company that provides coverages for fire, theft, homeowners, mobile homes, comprehensive personal liability, farm liability, church liability and earthquake in the State of Arkansas;
4. That pursuant to Ark. Code Ann. §§ 23-69-143 and 23-73-117, Farmers Union and Town and Country submitted the following items to the Commissioner:
 - A. Plan of Conversion and Plan and Agreement of Merger
 - B. Farmers Union Notice to Policyholders
 - C. Town and Country Notice to Policyholders
 - D. Farmers Union Proxy
 - E. Town and Country Proxy
 - F. Farmers Union Ballot
 - G. Town and Country Ballot
 - H. Farmers Union Business Plan
5. That pursuant to Ark. Code Ann. § 23-69-143, on November 1, 2010, the Commissioner approved of the notice and procedure for merger, including the Farmers Union Notice to Policyholders and the Town and Country Notice to Policyholders. Pursuant to Ark. Code Ann. § 23-73-117, on the same date the Commissioner approved the written ballot for the conversion of Farmers Union from a farmers mutual aid association to a mutual insurer;
6. That Farmers Union and Town and Country distributed the notices to their respective members and policyholders along with proxy forms and ballots on or about November 5, 2010;
7. That the Board of Farmers Union held an annual meeting on or about November 16, 2010, wherein members unanimously approved of the Plan and Agreement of Conversion and Plan and Agreement of Merger which would Convert Farmers Union to a mutual insurer and merge Town and Country into Farmers Union, with the surviving entity to be

called "Farmers Union Mutual Insurance Company" which will remain domiciled in the State of Arkansas;

8. That the Board of Town and Country held an annual meeting on or about November 16, 2010 wherein policyholders unanimously approved of the Plan and Agreement of Merger which would merge Town and Country into Farmers Union, with the surviving entity to be called "Farmers Union Mutual Insurance Company" and which will remain domiciled in the State of Arkansas;
9. That the hearing was held on December 9, 2010, wherein testimony was presented with regard to the conversion of Farmers Union mutual aid association to a mutual insurer and it is found that the plan: (1) Is not contrary to law and is not contrary to the interest of the insureds or the public; (2) was approved by a vote of not less than two-thirds of the members present or represented by proxy at the Farmers Union Meeting; and (3) that the association possesses and shall maintain unimpaired surplus of not less than \$750,000;
10. That during the hearing testimony was presented that the merger of Farmers Union and Town and Country would not be inequitable to policyholders, nor would it substantially reduce the security of and service to be rendered to policyholders;

CONCLUSION OF LAW

Based upon the foregoing Findings of Fact and other matters, facts and exhibits presented to the Hearing Officer, the Hearing Officer finds and concludes that:

1. The Conversion of Farmers Union to a mutual insurance company is approved pursuant to Ark. Code Ann. § 23-73-117; and
2. The Merger of Town and Country and Farmers Union is approved pursuant to Ark. Code Ann. § 23-69-143; and

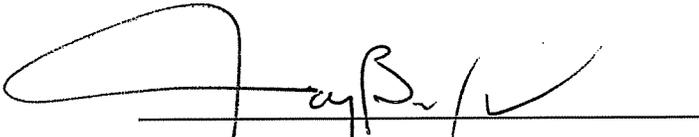
3. The Certificates of Authority must be amended to reflect the merger of companies and lines of authority.


LENITA BLASINGAME
HEARING OFFICER

ORDER

WHEREFORE, based upon the above and foregoing Finding of Facts, Conclusions of Law and other matters before the Hearing Officer, the Commissioner does hereby approve the proposed conversion and plan and agreement of merger by and between Farmers Union and Town and Country subject to the terms and conditions of the Plan and Agreement and related findings.

IT IS SO ORDERED THIS 21st DAY OF DECEMBER, 2010.


JAY BRADFORD
INSURANCE COMMISSIONER
STATE OF ARKANSAS