

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

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| In the Matter of the Proposed Adoption |) | |
| of the Financial Condition Examination |) | Docket No. 3003-ER |
| Report as of 12/31/99 of |) | |
| Federated Rural Electric Insurance Exchange |) | |

ORDER

NOW COMES on for formal disposition the matter of the proposed adoption of the financial condition examination report as of 12/31/99 of **Federated Rural Electric Insurance Exchange**, a Kansas corporation. This matter is brought before the Commissioner of Insurance for adoption, rejection, or modification pursuant to the provisions of Kansas Statutes Annotated (K.S.A.) 40-222.

I, Kathleen Sebelius, the duly elected, qualified, and acting Commissioner of Insurance, having fully considered and reviewed the financial condition examination report, together with all written submissions, applicable rebuttals, and all relevant portions of the examiners' work papers, and further, being fully advised on all premises, hereby find:

Policy Reasons

It is stated policy of the State of Kansas that whenever the Commissioner of Insurance deems it necessary, an examination of the affairs and financial condition of any insurance company in the process of organization, applying for admission, or doing business in this State can be undertaken. In all cases, such an examination must occur once every five (5) years. Through the examination process, the insurance consuming public will be well served and protected.

Findings of Fact

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.

2. An examination of **Federated Rural Electric Insurance Exchange** was undertaken by the Kansas Insurance Department and was completed on **5/7/01**.

3. The examiner-in-charge tendered and filed with the Kansas Insurance Department a verified written report of the examination within thirty (30) days following completion of the examination, to wit; **5/7/01**.

4. Following receipt of the verified report, the Kansas Insurance Department transmitted the report to **Federated Rural Electric Insurance Exchange** on **6/6/01**, with a duly executed notice advising the company of its opportunity to prepare and submit to the Kansas Insurance Department a written submission or rebuttal with respect to any and all matters contained in the report. **Federated Rural Electric Insurance Exchange** was further advised that any written submission or rebuttal needed to be filed with the Kansas Insurance Department no later than thirty (30) days after receipt of the verified report.

5. **Federated Rural Electric Insurance Exchange** filed a written **rebuttal** of the verified report on **6/11/01**.

6. The Kansas Insurance Department transmitted the revised report to **Federated Rural Electric Insurance Exchange** on **6/12/01**, with a duly executed notice advising the company of its opportunity to prepare and submit to the Kansas Insurance Department a written submission or rebuttal with respect to any and all matters contained in the report. **Federated Rural Electric Insurance Exchange** was further advised that any written submission or rebuttal needed to be filed with the Kansas Insurance Department no later than thirty (30) days after receipt of the verified report.

7. **Federated Rural Electric Insurance Exchange** filed a written **acceptance** of the verified report on **6/18/01**.

8. Based upon the written submission tendered by **Federated Rural Electric Insurance Exchange**, the company **takes no exceptions** to matters contained in the verified report.

9. Within thirty (30) days of the end of the time period allowed for written submission or rebuttal, the Commissioner of Insurance fully reviewed the report, together with all written submissions

and rebuttals provided by **Federated Rural Electric Insurance Exchange**. The Commissioner of Insurance further reviewed all relevant workpapers.

10. No other written submissions or rebuttals were submitted by **Federated Rural Electric Insurance Exchange**.

Conclusion of Law

11. K.S.A. 40-222(d)(2) provides:

"Within 30 days of the end of the period allowed for the receipt of written submissions or rebuttals, the commissioner shall fully consider and review the report, together with any written submissions or rebuttals and any relevant portions of the examiners workpapers and enter an order:

(A) Adopting the examination report as filed or with modification or corrections. If the examination report reveals that the company is operating in violation of any law, regulation or prior order of the commissioner, the commissioner may order the company to take any action the commissioner considers necessary and appropriate to cure such violations; or

(B) rejecting the examination report with directions to the examiners to reopen the examination for purposes of obtaining additional data, documentation or information, and refiling pursuant to subsection (k); or

(C) call and conduct a fact-finding hearing in accordance with K.S.A. 40-281 and amendments thereto for purposes of obtaining additional documentation, data, information and testimony."

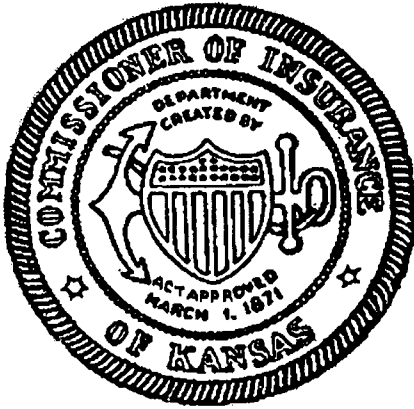
12. Based upon the Finding of Fact enumerated in paragraphs #1 through #8 above, the financial condition examination report as of **12/31/99** of **Federated Rural Electric Insurance Exchange** should be adopted.

IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:

1. The financial condition examination report as of **12/31/99** of **Federated Rural Electric Insurance Exchange**, here is adopted.

2. The Commissioner of Insurance retains jurisdiction over this matter to issue any and all further Orders deemed appropriate or to take such further action necessary to dispose of this matter.

IT IS SO ORDERED THIS 27th DAY OF JUNE, 2001, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



Kathleen Sebelius

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Commissioner of Insurance

By:

Kathy Greenlee

Kathy Greenlee

General Counsel