

**FINAL ORDER**  
DATE 8-25-17

BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF KANSAS

In the Matter of the Proposed Adoption )  
of the Financial Condition Examination )  
Report as of December 31, 2016 )  
Federated Rural Electric Insurance Exchange )  
NAIC #11118 )

Docket No. 5070-ER

CONSENT ORDER

NOW COMES on for formal disposition the matter of the proposed adoption of the financial condition examination report as of December 31, 2016 of Federated Rural Electric Insurance Exchange (FREIE), a Kansas corporation. This matter is brought before the Commissioner of Insurance ("Commissioner") for adoption, rejection, or modification pursuant to the provisions of K.S.A. 40-222.

The Kansas Insurance Department ("KID") and FREIE wish to resolve this matter by entering into this Consent Order. FREIE hereby waives any and all rights to further administrative adjudication or review of this matter, including any and all rights conferred upon it under K.S.A. 77-501 *et seq.* This Consent Order constitutes the Final Order in this matter.

The Commissioner, 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 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 has jurisdiction over this matter pursuant to K.S.A. 40-222.
2. An examination of FREIE was undertaken by the Kansas Insurance Department and was completed on June 30, 2017.
3. The examiner-in-charge tendered and filed with the KID a verified written report of the examination within thirty (30) days following completion of the examination, to wit; July 13, 2017.
4. Following receipt of the verified report, the KID transmitted the report to FREIE on July 17, 2017, with a duly executed notice advising the company of its opportunity to prepare and submit to the KID a written submission or rebuttal with respect to any and all matters contained in the report. FREIE was further advised that any written submission or rebuttal needed to be filed with the KID no later than thirty (30) days after receipt of the verified report.
5. FREIE filed a written acceptance of the verified report on July 27, 2017.

6. Based upon the written submission tendered by FREIE, the company took no exceptions to matters contained in the verified report.

7. 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 FREIE. The Commissioner further reviewed all relevant workpapers.

8. No other written submissions or rebuttals were submitted by FREIE.

#### Conclusion of Law

9. K.S.A. 40-222(k)(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."

10. Based upon the Findings of Fact enumerated in paragraphs #1 through #8 above, the financial condition examination report as of December 31, 2016 of FREIE should be adopted.

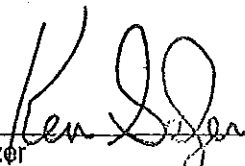
IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:

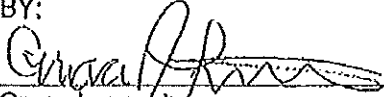
1. The financial condition examination report as of December 31, 2016 of FREIE, is hereby adopted.

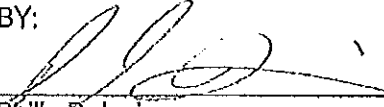
2. The Commissioner of Insurance retains jurisdiction over this matter to issue any and all further Orders deemed appropriate or to take such further action necessary to dispose of this matter.

IT IS SO ORDERED THIS 25<sup>TH</sup> DAY OF AUGUST, 2017 IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



  
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Ken Selzer  
Commissioner of Insurance

BY:  
  
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Grace Lancaster  
Staff Attorney

BY:  
  
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Phillip D. Irwin  
Chief Executive Officer and President  
Federated Rural Electric Insurance  
Exchange

**NOTICE OF RIGHTS TO HEARING AND REVIEW**

This Order is subject to the provisions of the Kansas Judicial Review Act, K.S.A. 77-601 et seq. In the event the company files a Petition for Judicial Review, pursuant to K.S.A. 77-613(e), the agency officer to be served on behalf of the Kansas Insurance

Department is:

Diane Minear, General Counsel  
Kansas Insurance Department  
420 S.W. 9<sup>th</sup> Street  
Topeka, Kansas 66612

Certificate of Service

The undersigned hereby certifies that he was served a true and correct copy of the above and foregoing Consent Order on this 25th day of August, 2017, by causing the same to be emailed to Shelly Harvey, VP Finance, Federated Rural Electric Exchange at sharvey@federatedrural.com.

A handwritten signature in black ink, appearing to read 'Richard Ramos', written over a horizontal line.

Richard Ramos  
Director, Financial Surveillance Division  
Kansas Insurance Department