



**STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE**

**REPORT ON EXAMINATION
OF
BLOUNT COUNTY MUTUAL INSURANCE COMPANY
ALCOA, TENNESSEE**

**AS OF
DECEMBER 31, 2021**

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Alcoa, Tennessee
May 10, 2023

Honorable Carter Lawrence
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-22-115, a full-scope financial examination and market conduct review, as of December 31, 2021, has been made of the condition and affairs of:

BLOUNT COUNTY MUTUAL INSURANCE COMPANY

NAIC # 15967
319 Sanderson Street
Alcoa, Tennessee 37701

hereinafter referred to as the “Company” and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or “Department”). The examination was conducted by duly authorized representatives of the Department.

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2016. This examination covers the period from January 1, 2017, through December 31, 2021, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (“Handbook”), as deemed appropriate. The examination sought to evaluate the overall financial statement presentation and

management's compliance with statutory accounting principles and the *Annual Statement Instructions for Tennessee County Mutual Insurers* ("Instructions"), using substantive procedures where applicable. The examination also included an assessment of prospective risks faced by the Company, based on information obtained during the course of the examination.

The examination reviewed the Company's business policies and practices, management and corporate matters, and reviewed and evaluated assets, liabilities, income, and disbursements. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules, and regulations. In planning and conducting our examination, we considered the concepts of materiality and risk, and our examination efforts were directed accordingly.

A separate market conduct review was performed concurrently with the financial examination. See the "Market Conduct Activities" section of this report.

The Company provided a Letter of Representation certifying that management has disclosed all significant matters and records.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The examination included a review to determine the current status of the comments and recommendations noted in the previous report on examination, as of December 31, 2016. A summary of the Commissioner's directives and the corrective actions taken by the Company are discussed below:

Comments

1. It was noted that the Company had several verbal agreements in place with its service providers. As a "best practice", it was suggested that the Company consider formalizing these verbal agreements by reducing them to writing.

Corrective Action

The Company has not complied with this comment by entering into written contracts with its service providers. See the "Service Agreements" and "Comments and Recommendations" sections of this report.

2. It was noted that the Company did not have a formal conflict of interest policy to govern the actions of its directors, officers, and employees. As a good business practice and to evidence compliance with Tenn. Code Ann. § 56-3-103, the Company was advised to implement such a policy and require annual disclosures of conflicts or potential conflicts of interest.

Corrective Action

The Company has not complied with this comment as it has not required annual disclosures of conflicts or potential conflicts of interest. See the “Management and Control” and “Comments and Recommendations” sections of this report.

Recommendations

1. It was found that the Company facilitates the sale of liability insurance coverage on behalf of Farmers Mutual of Tennessee (FMT) as a service to policyholders who wish to obtain such coverage on properties insured by the Company. The Company has been listed as the producer on FMT liability policies. This is a violation of Tenn. Code Ann. § 56-6-106(b) which states, “A business entity may obtain an insurance producer’s license; however, only an individual licensed producer or limited lines producer shall sell, solicit or negotiate a contract of insurance in this state.” It was recommended that the Company discontinue the practice of acting as an insurance producer.

Corrective Action

The Company complied with this recommendation. Effective May 16, 2019, the Company entered into an Other Products Contract with FMT and is no longer listed as a producer on FMT’s liability policies.

3. The Company did not maintain a complaint record as required by Tenn. Code Ann. § 56-8-104(11). The Company should maintain a complete record of all complaints in accordance with Tenn. Code Ann. § 56-8-104(11).

Corrective Action

The Company has not complied with this recommendation. See the “Market Conduct” and “Comments and Recommendations” sections of this report.

COMPANY HISTORY

The Company was incorporated on March 27, 1905, under the Tennessee Business Corporate Act as a non-profit mutual benefit corporation. The Company commenced business on July 19, 1913. On August 7, 2019, the Company was issued its most recent Certificate of Authority (COA) to transact the business of insurance pursuant to Tenn. Code Ann. § 56-22-101, *et seq.* The Company's purpose is to insure its policyholders (members) against loss or damage to property due to fire, lightning, and hail in Blount County and counties contiguous to Blount County, Tennessee.

Effective August 22, 2019, the Company changed its name from "Blount County Mutual Fire Insurance Company" to "Blount County Mutual Insurance Company."

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

Management of the Company is vested in a Board of Directors ("Board"), elected at the annual members' meeting. The annual meeting of the members is held in Blount County, Tennessee each year on the fourth (4th) Monday of January at 1:00 P.M., or at a date and time that the Board chooses, to elect a Board and the transaction of such other business as may properly come before the membership.

Per the Bylaws, the Board shall consist of fifteen (15) members. One-third (1/3) of the directors are elected at each annual members' meeting for a term of three (3) years. Any vacancies occurring in any office or on the Board shall be filled by the remaining members of the Board until the next annual meeting of the membership. From August 5, 2021, until April 28, 2022, the Company only had fourteen (14) directors on the Board. See the "Comments and Recommendations" section of this report.

The following persons were duly elected and serving as directors on the Company's Board, as of December 31, 2021:

<u>Director</u>	<u>Address</u>
Allen Martin	Walland, Tennessee
Rob Walker	Friendsville, Tennessee
Steve Blair	Maryville, Tennessee
Elizabeth Gilmore	Maryville, Tennessee
Ron Campbell	Maryville, Tennessee
Kim Snoderly	Maryville, Tennessee
John Keller	Maryville, Tennessee
Mike Fugate	Maryville, Tennessee
Max Coulter	Maryville, Tennessee
Doyle Gray	Maryville, Tennessee
Dan Blevens	Walland, Tennessee
Calvin Lynch	Friendsville, Tennessee
William Bowers III	Walland, Tennessee
Mose Waters	Maryville, Tennessee

Officers

The Bylaws of the Company instruct the Board to annually elect the Company's officers immediately following the members' annual meeting. At that meeting, the Board shall elect a President, Vice President, Secretary, and Treasurer. One person may fill the office of the Secretary and Treasurer; however, if one person fills both positions, the person filling the positions must be a member of the Board. However, if the Secretary and Treasurer are not the same person, the Treasurer does not need to be a member of the Board.

The following individuals were duly elected by the Board and were serving as officers of the Company, as of December 31, 2021:

<u>Name</u>	<u>Title</u>
Dan Blevens	President
William Bowers III	Vice President
Calvin Lynch	Secretary and Treasurer

COMMITTEES

The Board installed committees to provide oversight of the affairs of the Company. The Board appointed the following Committees:

Executive Committee

The Executive Committee is appointed annually by the Board. It is authorized to conduct the business of the Company under the authority of the Board and pursuant to the Charter and Bylaws.

The following persons served on the Executive Committee, as of December 31, 2021:

<u>Name</u>	<u>Title</u>
Dan Blevens	President
William Bowers III	Vice President
Calvin Lynch	Secretary and Treasurer

Nominating Committee

The Nominating Committee is appointed annually by the Board and recommends the nomination of individuals to the Board at each annual members' meeting.

The following persons served on the Nominating Committee, as of December 31, 2021:

<u>Name</u>	<u>Title</u>
Ron Campbell	Director
Rob Walker	Director
Calvin Lynch	Secretary and Treasurer

Salary Committee

The Board appoints the Salary Committee annually and recommends amounts and types of compensation paid to the Company's directors, officers, and employees.

The following persons served on the Salary Committee, as of December 31, 2021:

<u>Name</u>	<u>Title</u>
Allen Martin	Director
Doyle Gray	Director
John Keller	Director

CONTROL

The Company is equally owned by its members. The Company's Bylaws define a member as parties having insurance with the Company. In addition, any trustee, executor, or administrator owning or having charge of property otherwise insurable by the Company or any corporation owning such property may be admitted as a member. The Company has never issued any shares of capital stock or established guaranteed capital.

CONFLICTS OF INTEREST AND PECUNIARY INTEREST

During the examination, a review was performed of the Company's compliance with Tenn. Code Ann. § 56-3-103, which prohibits Company directors, officers, and employees from having a pecuniary interest in any funds of the Company. While the review found no director, officer, or employee of the Company to have a pecuniary interest in the funds of the Company, it was noted that the Company did not require annual disclosures of possible conflicts of interest. Maintaining a conflict of interest disclosure form and requiring annual disclosures of possible conflicts of interest helps document the Company's compliance with Tenn. Code Ann. § 56-3-103. See the "Compliance with Previous Examination Findings" and the "Comments and Recommendations" sections of this report.

CORPORATE RECORDS

The minutes of the meetings of the Company's members, Board, and committees were reviewed for the period under examination. During the review of the Company's meeting minutes, it was noted that the Company could not provide meeting minutes for its Nominating and Salary Committees. This is not in compliance with Tenn. Code Ann. § 48-66-101(a), which requires that a company keep as permanent records minutes of all meetings of its members and board of directors, a record of all actions taken by the members or directors without a meeting, and a record of all actions taken by committees in place of the board of directors. See the "Comments and Recommendations" section of this report.

Charter

The Charter recites the general and specific powers of the Company in detail. As currently stated, the Charter was reviewed and found to have been duly issued and properly recorded. There was an amendment in 2019 to the Company's Charter to change the Company's name.

Bylaws

The Bylaws may be altered or amended by at least two-thirds (2/3) majority or more of the members present or voting by mail at any regular or special meetings of the members. The Company amended its Bylaws once during the examination period, updating the name change from Blount County Mutual Fire Insurance Company to Blount County Mutual Insurance Company. In addition to the name change, the Company also changed parts of its underwriting guidelines, which are part of the Company's Bylaws.

SERVICE AGREEMENTS

The Company had the following significant service agreements during the period under examination.

Investment Custodian Services

First Horizon Bank (formerly First Tennessee Bank) provides the Company with investment custodial services.

Policy Management Services

Automated Insurance Management Systems (AIMS) of Richmond, Virginia, provides policy management, premium accounting software, and support services. However, it was noted during the examination that this agreement was a verbal agreement. See the "Compliance with Previous Examination Findings" and the "Comments and Recommendations" sections of this report.

TERRITORY AND PLAN OF OPERATION

TERRITORY

The Department issued the Company's current Certificate of Authority (COA) authorizing the transaction of property insurance business pursuant to Tenn. Code Ann. § 56-22-106(f)(1) on August 7, 2019. The COA is valid until suspended or revoked and allows the Company to transact business operations in Blount County and all counties contiguous to Blount County in the State of Tennessee. The Company, as of December 31, 2021, wrote policies in Blount, Knox, Loudon, Monroe, and Sevier counties in Tennessee.

PLAN OF OPERATION

The Company provides its members with coverage on dwelling homes (single and multi-family), rental homes (single and multi-family), modular homes, mobile homes, farm buildings, livestock, personal property, farm machinery, and churches in case of loss due to fire, wind, hail, lightning, tornado, theft, vandalism, smoke, trees, and other perils, including falling objects, the weight of snow, ice and sleet, explosion, and water. Liability coverage, provided by FMT, is also available to the members of the Company if they elect to purchase this additional protection through the Company.

The Company's policies are typically written for eighty percent (80%) of the replacement value of the property insured. Policy coverage is for five (5) years, except for manufactured homes, which are written for one (1) year. Policyholders have the option of paying premiums annually, semi-annually, or quarterly. The standard deductible is \$500 on basic policies or \$1,000 on broad policies.

During the examination period, the Company increased its deductible, began offering a new replacement cost policy, and added new coverage options for existing policies. The Company's new replacement cost policy provides coverage of theft, vandalism, smoke, trees, and other perils, including falling objects, the weight of snow, ice and sleet, and explosion, for \$6 per thousand dollars of coverage with a \$1,000 deductible. In addition, under the new replacement cost policy, the policyholder can add water damage coverage to a policy for an additional \$7 per thousand dollars of coverage with a \$1,000 deductible. The Company added an option to allow policyholders to add theft and hail coverage to its existing policies for an additional \$5 per thousand dollars of premium coverage with a \$500 deductible.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination, according to its annual statements filed with the Department:

<u>Year</u>	<u>Gross Premiums Written</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholders' Surplus</u>	<u>Net Income</u>
2021	\$272,207	\$4,319,417	\$179,338	\$4,140,079	\$79,988
2020	\$271,822	\$4,297,939	\$238,538	\$4,059,401	(\$31,850)
2019	\$279,496	\$4,302,211	\$211,658	\$4,090,553	(\$141,589)
2018	\$295,479	\$4,424,350	\$188,557	\$4,235,793	\$59,885
2017	\$288,387	\$4,349,004	\$181,108	\$4,167,896	(\$3,682)

LOSS EXPERIENCE

The following comparative data reflects the loss experience of the Company for the period under review, as reported by the Company in its annual statements filed with the Department:

<u>Year</u>	<u>Net Premiums Earned</u>	<u>Net Incurred Losses & LAE</u>	<u>Loss Ratio</u>	<u>Other Expenses</u>	<u>Expense Ratio</u>	<u>Combined Ratio</u>
2021	\$280,533	\$34,069	12.14%	\$277,341	98.86%	111.01%
2020	\$274,318	\$128,723	46.92%	\$273,750	99.79%	146.72%
2019	\$282,332	\$240,614	85.22%	\$310,773	110.07%	195.30%
2018	\$294,373	\$70,932	24.10%	\$290,047	98.53%	122.63%
2017	\$285,294	\$112,201	39.33%	\$302,468	106.02%	145.35%

REINSURANCE

Specific and Aggregate Excess of Loss Reinsurance

In accordance with Tenn. Code Ann. §§ 56-22-110 and 56-22-106(d), the Company has maintained Specific and Aggregate Excess of Loss coverage through FMT to limit its exposure to larger risks. Under the terms of the agreement, the Company retains the first \$100,000 of each risk, per occurrence, and reinsures up to \$1,500,000 through a series of three (3) layers of coverage.

The agreement was found to contain such language as recommended by the NAIC and as required for reinsurance credit pursuant to Tenn. Code Ann. § 56-2-207(a)(2). This agreement appears to effectuate proper transfer of risk in accordance with Statement of Statutory Accounting Principles (SSAP) No. 62 and NAIC guidelines. The agreement was found to meet the requirements set forth in Tenn. Code Ann. § 56-22-110.

ACCOUNTS AND RECORDS

During the examination, accounts were verified by various tests and procedures deemed necessary to confirm values for assets and liabilities appearing in the Company's financial statements. General ledger balances were reconciled with the financial statements and were reviewed for completeness of disclosure and conformity to NAIC Accounting Practices and Procedures, as required by Tennessee Compilation of Rules and Regulations ("Tenn. Comp. R. & Regs.") 0780-01-78-.04(1).

During the review of the Company's 2021 Annual Statement, there were eight (8) issues of non-compliance with the Instructions and Tenn. Code Ann. § 56-22-109 identified. See the "Comments and Recommendations" section in this report.

The Company did not pay its agent, who produced the FMT liability policies, the defined commission according to the terms of the Company's Other Products Contract agreement with FMT. Receipt of commissions by the Company on the policies sold by the Company's agent on behalf of FMT is not in compliance with Tenn. Code Ann. § 56-6-113(b). Tenn. Code Ann. § 56-6-113(b) states that no person shall accept a commission in this state if that person is required to be licensed and is not so licensed. See the "Comments and Recommendations" section in this report.

The Company owns investment real estate located in Alcoa, Tennessee. The Company has not had this office building, which produces rental income, appraised since this investment property was purchased in 2014. Section 14 of NAIC SSAP – 40R (Real Estate Investments) requires that for all properties held for the production of income, the reporting entity must maintain an appraisal that is no more than five (5) years old as of the reporting date. See the "Comments and Recommendations" section in this report.

In accordance with Tenn. Code Ann. § 56-46-110(c), the Company was exempt from filing a Risk-Based Capital Report.

The Company is not required to have audited financial statements per Tenn. Comp. R. & Regs. 0780-01-78-.04(3), as written premiums are less than \$1,000,000.

The Company was exempt from Tenn. Comp. R. & Regs. 0780-01-78-.04(4), which requires the filing of an actuarial opinion by a qualified actuary with the Commissioner on or before March 1 each year.

The Company's books and records are located in Alcoa, Tennessee.

MARKET CONDUCT ACTIVITIES

In conjunction with this examination, a limited market conduct review was made of the Company, as of December 31, 2021. The following items were addressed:

Operations and Management Standards

The Company's antifraud initiatives were reviewed to determine if the initiatives are reasonably designed to prevent, detect, or mitigate fraudulent insurance acts as required by Tenn. Code Ann. § 56-53-111(b)(1)(A), which requires that all applications for insurance and all claim forms contain a statement that clearly states in substance the following or words to that effect: "It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the Company." During the review, it was noted that the Company's claims forms did not include the fraud warning statement as required by Tenn. Code Ann. § 56-53-111(b)(1)(A).

Additionally, the Company's procedures and policies relating to privacy were reviewed to determine compliance with Tenn. Code Ann § 56-8-104(19). No issues were noted.

Underwriting and Rating Standards

During the examination of the Company's underwriting procedures and policy administration, a sample of policies in-force was reviewed for compliance with Tenn. Code Ann. § 56-8-104(7) and Tenn. Comp. R. & Regs. 0780-01-34. No issues were noted.

A sample of canceled and non-renewed policies was reviewed for timely notification and compliance with Tenn. Code Ann. § 56-8-104(7) and Tenn. Comp. R. & Regs. 0780-01-34. No issues were noted.

A sample of the policy forms that were used by the Company during the period of examination was reviewed. All forms and rates were noted as having been filed with the Department before use, in accordance with Tenn. Code Ann. § 56-5-105.

Producer Licensing Standards

During the examination, the Company's producer's state-issued license and appointment information was reviewed for compliance with Tenn. Code Ann. § 56-6-115. Tenn. Code Ann. § 56-6-115 requires the Company to sell its products and services through producers who are properly licensed and appointed by the Company. The Company is required to file a notice of appointment with the Department within fifteen (15) days from the date the agency contract is executed, or the first insurance application is submitted.

During this review, it was noted that the Company did not correctly appoint its agent. See the “Comments and Recommendations” section in this report.

Marketing and Sales Standards

The Company’s products are communicated to potential members via its website, local newspaper advertisements, banners displayed at high school sporting events, and through the Company’s Board and agent via word of mouth.

Policyholder Services Standards

The Company’s timeliness of policy issuance, premium billing, response to policyholder requests, provision of adequate disclosures, and compliance with applicable statutes and rules were examined. The Company was found to be in compliance with the relevant market conduct standards.

Claims Handling Standards

A sample of claims was reviewed for unfair claims practices defined by Tenn. Code Ann. § 56-8-105. Testing included timeliness of contact and resolution, adequacy of claims documentation, and claims handling procedures. In conducting the examination, random samples were selected from the claims. No exceptions were identified regarding prompt settlements, upon receipt of proper evidence of the Company’s liability.

Complaint Handling Standards

The Company’s complaint handling practices were reviewed for compliance with Tenn. Code Ann. § 56-8-104(11). During the review of the Company’s complaint handling procedures, it was noted that the Company does not maintain a record of complaints. Tenn. Code Ann. § 56-8-104(11) requires the Company to maintain a complete record of all the complaints it receives. This record shall indicate the total number of complaints, the classification of each complaint by line of insurance, the nature of each complaint, the disposition of each complaint, and the time to process each complaint. See the “Compliance with Previous Examination Findings” and “Comments and Recommendations” sections of this report.

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed. No events were noted that required additional disclosure in this examination. Management stated in its Letter of Representation that they were unaware of any events subsequent to December 31, 2021, that could have a material effect on the Company’s financial condition.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of income, as of December 31, 2021, together with a reconciliation of policyholders' surplus for the period under review, as reported by the Company in its 2021 Annual Statement:

	<u>ASSETS</u>		
	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds and Long-term Certificates of Deposit	\$3,894,354		\$3,894,354
Properties occupied by the Company	131,118		131,118
Investment real estate	131,118		131,118
Cash and cash equivalents	151,749		151,749
Premium receivables and agents' balances	10,782		10,782
Interest, dividends, and real estate income due and accrued	296		296
Furniture, equipment, and supplies	934	\$934	0
Prepaid expenses	<u>2,733</u>	<u>2,733</u>	<u>0</u>
Total Admitted Assets	<u>\$4,323,084</u>	<u>\$3,667</u>	<u>\$4,319,417</u>

LIABILITIES AND POLICYHOLDERS' SURPLUS

Gross losses and claims reported, unpaid	\$6,620
Unearned premiums	139,878
Advance premiums	23,624
Ceded reinsurance premiums payable	587
Accounts payable and accrued expenses payable	<u>8,629</u>
Total liabilities	179,338
Policyholders' surplus	<u>4,140,079</u>
Total Liabilities and Policyholders' Surplus	<u>\$4,319,417</u>

STATEMENT OF INCOME

UNDERWRITING INCOME

Net premiums and assessments earned \$280,533

DEDUCTIONS

Net Losses incurred 34,069

Commissions and brokerage 63,030

Salaries and related items 97,561

Advertising and subscriptions 3,866

Board, bureaus, and association dues 2,917

Insurance and fidelity bonds 33,573

Travel and travel items 6,371

Cost or depreciation of EDP equipment and software 5,842

Printing and stationery 19,080

Postage, telephone, and telegraph 2,157

Legal and auditing fees 16,125

Taxes, licenses, and fees 10,093

Real estate taxes 7,957

Aggregate write-ins for underwriting expenses 8,769

Total underwriting expenses incurred 277,341

Total underwriting deductions 311,410

Net underwriting gain (loss) (30,877)

INVESTMENT INCOME

Net investment income earned 93,882

Net investment gain (loss) 93,882

OTHER INCOME

Finance and service charges not included in premiums 16,983

Total other income 16,983

Net income after dividends to policyholders and before
federal income taxes 79,988

Net Income **\$79,988**

POLICYHOLDERS' SURPLUS ACCOUNT

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Policyholders' Surplus December 31, previous year	<u>\$4,059,401</u>	<u>\$4,090,553</u>	<u>\$4,235,793</u>	<u>\$4,167,896</u>	<u>\$4,178,372</u>
Net income or (loss)	79,988	(31,850)	(141,589)	59,885	(3,682)
Change in non-admitted assets from prior year	<u>690</u>	<u>698</u>	<u>(3,651)</u>	<u>8,012</u>	<u>(6,794)</u>
Net change in capital and surplus for the year	<u>80,678</u>	<u>(31,152)</u>	<u>(145,240)</u>	<u>67,897</u>	<u>(10,476)</u>
Policyholders' Surplus December 31, current year	<u>\$4,140,079</u>	<u>\$4,059,401</u>	<u>\$4,090,553</u>	<u>\$4,235,793</u>	<u>\$4,167,896</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Policyholders' Surplus

\$4,140,079

Total policyholders' surplus, as established by this examination, is the same as what was reported by the Company in its 2021 Annual Statement. There were no changes made to any asset or liability item as a result of the examination performed as of December 31, 2021.

COMMENTS AND RECOMMENDATIONS

Comments

1. As noted in the "Management and Control" section of this report, the Company only had fourteen (14) directors from August 5, 2021, until April 28, 2022. The Company's Bylaws require the Board to consist of fifteen (15) directors.

Pursuant to the Company's Bylaws, the Company's members filled this vacancy at its April 28, 2022, annual membership meeting.

2. As noted in the "Compliance with Previous Examination Findings" and "Management and Control" sections of this report, the Company does not require conflicts of interest or possible conflicts of interest to be disclosed by its directors, officers, or employees.

As a good business practice and to evidence compliance with Tenn. Code Ann. § 56-3-103, the Company is advised to require annual disclosures of conflicts or potential conflicts of interest.

3. As noted in the "Compliance with Previous Examination Findings" and "Service Agreements" sections of this report, the Company has verbal agreements with some of its service providers.

As a "best practice", it is suggested that the Company formalize these verbal agreements in writing.

4. As noted in the "Producer Licensing Standards" section of this report, the Company did not properly appoint its agent, as required by Tenn. Code Ann. § 56-6-115.

Once notified of the issue, the Company appointed its agents in accordance with Tenn. Code Ann. § 56-6-115.

Recommendations

1. As noted in the “Management and Control” section of this report, the Company did not maintain meeting minutes for its Nominating and Salary Committees. This is not in compliance with Tenn. Code Ann. § 48-66-101(a).

It is recommended that the Company comply with Tenn. Code Ann. § 48-66-101(a).

2. As noted in the “Accounts and Records” section of this report, there were eight (8) issues of non-compliance with the *Annual Statement Instructions for Tennessee County Mutual Insurers* (“Instructions”) and Tenn. Code Ann. § 56-22-109 in the Company’s 2021 Annual Statement.

It is recommended that the Company comply with the Instructions and Tenn. Code Ann. § 56-22-109.

3. As noted in the “Accounts and Records” section of this report, the Company did not pay its agent, who produced the FMT liability policies, the defined commission pursuant to the terms of the Company’s Other Products Contract with FMT. Receipt of commissions by the Company on the policies sold by the Company’s agent on behalf of FMT is a violation of Tenn. Code Ann. § 56-6-113(b).

It is recommended the Company comply with Tenn. Code Ann. § 56-6-113(b).

4. As noted in the “Accounts and Records” section of this report, the Company has not had its property held for the production of income appraised since 2014. This does not comply with Section 14 of the NAIC SSAP – 40R (Real Estate Investments).

It is recommended the Company comply with Section 14 of NAIC SSAP – 40R (Real Estate Investments).

5. As noted in the “Market Conduct” section of this report, the Company did not have a fraud warning disclosure on its claim forms as required by Tenn. Code Ann. § 56-53-111(b)(1)(A).

It is recommended that the Company comply with Tenn. Code Ann. § 56-53-111(b)(1)(A).

6. As stated in the “Market Conduct” section of this report, the Company is not maintaining a record of complaints, which is not in compliance with Tenn. Code Ann. § 56-8-104(11).

It is recommended that the Company maintain a record of complaints that complies with Tenn. Code Ann. § 56-8-104(11).

CONCLUSION

Rules and procedures as prescribed by the statutes of the State of Tennessee and guidance from the NAIC Handbook, as deemed appropriate, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Blount County Mutual Insurance Company.

In such manner, it was found that as of December 31, 2021, the Company had admitted assets of \$4,319,417, and liabilities, exclusive of policyholders' surplus, of \$179,338. Thus, there existed for the additional protection of the policyholders, the amount of \$4,140,079 in the form of policyholders' surplus. Tenn. Code Ann. § 56-22-105(c) requires an insurer of this Company's type to maintain a minimum surplus of \$200,000. For this examination, as of December 31, 2021, the Company maintains surplus sufficient to satisfy that requirement.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Linda Merriweather, Examiner; Dustin Rice, Examiner; and Jay Uselton, CFE, Supervising Examiner, from the State of Tennessee, participated in the work of this examination.

Respectfully submitted,



James Pearce
Examiner-in-Charge
Tennessee Department of Commerce and Insurance

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Blount County Mutual Insurance Company, located in Alcoa, Tennessee, dated May 10, 2023, and made as of December 31, 2021, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.

James Pearce

James Pearce
Examiner-in-Charge
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 9th day of June, 2023

Melissa Tiller

(NOTARY)

My Commission Expires: 1/11/2026



EXHIBIT B



**BLOUNT COUNTY
MUTUAL INSURANCE CO.**

319 Sanderson St. Alcoa, TN 37701 (865)983-0402

June 13, 2023

E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135

RE: Report of Examination – Blount Count Mutual Insurance Company

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Blount Count Mutual Insurance Company, made as of December 31, 2021.

By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

Blount County Mutual Insurance Company

Dan J. Bleven

President

Christy Arnold

Office Administrator

6-13-2023

Date

6/13/2023

Date