REPORT ON EXAMINATION

OF THE

DISTRIBUTORS INSURANCE COMPANY

CHATTANOOGA, TENNESSEE

RECEIVED

JUN 22 2009

Dept. of Commerce & Insurance
Company Examinations

AS OF

DECEMBER 31, 2007

THE DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

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Chattanooga, Tennessee
May 26, 2009

The Honorable Leslie A. Newman
Commissioner of Commerce and Insurance
State of Tennessee
Nashville, Tennessee

Commissioner:

In compliance with your instructions and in accordance with Tennessee insurance laws, regulations and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a financial condition examination was made of the condition and affairs of the

Distributors Insurance Company
Chattanooga, Tennessee

hereinafter called the "Company," at its executive offices located at 1206 Broad Street, Chattanooga, Tennessee 37402, and the following Report on Examination is submitted:

SCOPE OF EXAMINATION

This examination, covering the period from January 1, 2003 to December 31, 2007, including any material transactions and/or events noted occurring subsequent to December 31, 2007, was conducted by representatives of the Tennessee Department of Commerce and Insurance (TDCI) under the authority delegated to them by the Commissioner pursuant to Tenn. Code Ann. § 56-13-120(a).

Our examination was conducted in accordance with examination policies and standards established by the Tennessee Department of Commerce and Insurance, Insurance Division and procedures recommended by the National Association of Insurance Commissioners (NAIC) and, accordingly, included tests of such accounting records and such other examination procedures, as we considered necessary in the circumstances.

Our examination included a review of the Company's business policies and practices, management and corporate matters, verification and evaluation of assets and a determination of the existence of liabilities. 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 gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

An independent public accounting firm audits the Company annually. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2002 through 2007. We placed substantial reliance on the audited financial statements for calendar years 2002 through 2006, and consequently, performed only minimal testing for those periods. We reviewed the workpapers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2007, and directed our efforts to the extent practical to those areas not covered by the firm's audit.

STATUS OF PRIOR EXAMINATION FINDINGS

The exception conditions and recommendations made in our preceding Report on Examination dated August 31, 2004, which covered the period from January 1, 1997 through December 31, 2002 were as follows:

Comments:

During testing of purchases and sales of securities indicate that the Company is recording the settlement date rather than the trade date as the transaction date. The effect of this dating on the Company's amortization of securities as exhibited on Schedule D – Part 1 has an immaterial effect as the time involved is a matter of a few days. No change is proposed to the current Schedule D. The Company began reporting investments using the trade date instead of the settlement date as of the Company's June 30, 2003 quarterly statement.

- Although the Company lists a total of $750,000 in Special Deposits in Schedule E, Part 2 of its 2002 Annual Statement, this examination has found that these are actually General Deposits, which are held for the benefit of all policyholders and creditors of the Company. This was also noted as an error in the previous examination report.

Recommendations:

- The above noted discrepancies are in violation of Tenn. Code Ann. §56-13-113 which requires the Company to report its financial statement in such form as approved by the Commissioner.
- The Company had not filed its loss control consulting agreement and safety training agreements with its parent, TVPPA, with "The Department of Commerce and Insurance". This is in violation of Tenn. Code Ann. §56-11-206(a)(2)(D).
- The Company's bonds, stocks and short-term investments are held in the Company's name at First Tennessee Bank, National Association under a custodial agreement. The said custodial agreement did not comply with the requirements outlined in Tenn. Comp. R. & Reg. 0780-1-46.

  The bank and the Company signed an amended and restated agreement dated February 6, 2004 which complies with Tenn. Comp. R. & Reg. § 0780-1-46.

We determined that the Company had satisfactorily addressed these issues during the current examination period.

HISTORY

General

The Company was incorporated on April 12, 1983 under the provisions of the Tennessee General Corporation Act with the name Distributors Insurance Company with its principal office location at 831 Chestnut Street, Chattanooga, Tennessee. The purposes for which the company was organized are to make all types and forms of insurance and reinsurance permitted or authorized for an association captive insurance company, in accordance with Tennessee Code Annotated Sections 56-13-101 et seq.

On December 31, 2002, the board of directors approved an amendment to the articles of incorporation to change the principal office to 1206 Broad Street, Chattanooga, Tennessee.

Ownership of the Company is restricted solely to the Tennessee Valley Public Power Association, a Tennessee not-for-profit corporation whose membership consists of municipal and cooperative distributors of power purchased from the Tennessee Valley Authority.

Capital

The articles provide for a maximum number of authorized shares of the corporation to be 2,000 with no par value.

As of December 31, 2007, there are 200 shares issued and outstanding. The shares are issued to Tennessee Valley Public Power Association.

Dividends to Stockholders

For the period under review, no dividends were paid by the Company.

MANAGEMENT AND CONTROL

Board of Directors

The bylaws of the Company provide for the board of directors to be elected at the annual stockholders' meeting on the second Monday in May. Directors are elected for a staggered two year term. The number of directors shall be not less than five, nor more than thirteen. As of December 31, 2007 the following persons were serving as directors:

Name	**Affiliation**
Term expiring 2008:	
William M. Carroll	Manager Greeneville Light & Power System Greeneville, Tennessee 37744-1690

David R. Clark	General Manager Paducah Power System Paducah, Kentucky 42002-0180
Gregory J. Fay	General Manager Clinton Utilities Board Clinton, Tennessee 37717-0296
Robert D. Hagewood	Manager Covington Electric System Covington, Tennessee 38019-0488

<u>Term Expiring 2009:</u>

John D. Burt	Manager Philadelphia Utilities Philadelphia, Mississippi 39350
Gary Scroggins	Manager Athens Electric Department Athens, Alabama 35612-1089
Brian Skelton	General Manager Tullahoma Board of Public Utilities Tullahoma, Tennessee 37388-0788
Thomas Wheeler	General Manager Board Cleveland Utilities Cleveland, Tennessee 37320-2730

Officers

The bylaws provide for the officers to be appointed by the board of directors and shall consist of at least a chairman, a president, vice president, secretary and treasurer. As of December 31, 2007, the following were serving as officers:

John Burt	Chairman
Tom Wheeler	Vice Chairman
Jack Simmons	President
Doug Peters	Vice President
John Cooke	Secretary-Treasurer

On December 16, 2004, the Board of Directors established a standing Executive Committee. As of December 31, 2007, the following persons were serving as members of the Executive Committee:

Executive Committee:

John Burt	Thomas Wheeler
Jack Simmons	Doug Peters
John Cooke	Carlos C. Smith

As of December 31, 2007, the following persons were serving as members of the following committees:

Claims Committee:

Gary Scroggins	John Burt
Thomas Wheeler	William Carroll
Doug Peters	Anthony Salvatore
Larry Cash	

Investment Committee

Gregory Fay-Chairman	
John Burt	Thomas Wheeler
Robert Hagewood	Jack Simmons
Doug Peters	Anthony Salvatore
Carlos Smith.	

Conflict of Interests

On April 22, 2004, the Company's board of directors adopted a policy statement for annual disclosure of possible conflicts of interests on the part of its directors or officers. However, no questionnaires were completed for the years under review. Further comments can be found in this Report under "Comments and Recommendations".

Corporate Records

We reviewed the minutes of the meetings of the stockholder and the board of directors. The minutes appear to properly reflect the acts of those respective bodies.

On December 14, 2004, the board of directors reviewed the Tennessee Department of Commerce and Insurance's Report on Examination as of December 31, 2002.

MANAGEMENT AGREEMENTS

1. Related Party

The Company is wholly owned by TVPPA and in the normal course of business is involved in intercompany transactions with its parent. The transactions include management fees for the use of TVPPA facilities, supplies and personnel. Management fees for 2007 and 2006 were $235,719 and $235,719 respectively. In addition, the Company contracts with TVPPA to provide loss control consulting services. Expenses for these services for the years 2007 and 2006 were $506,860 and $571,204.

2. Insurance Management Agreement

Effective November 1, 1999, the Company and Acordia Southeast, Inc., now called Wells Fargo Insurance Services Southeast, Inc.,(Wells Fargo) entered into an agreement for management, administrative and consulting services. Under the terms of the agreement, Wells Fargo is to provide underwriting and policyholder services. Wells Fargo is to develop a marketing program to TVPPA members of products offered by the Company. Wells Fargo is also to arrange for claims services by utilizing services of claims servicers acceptable to the Company; to secure reinsurers on behalf of the Company and assume reinsurance, on behalf of the Company, as permitted by Tennessee laws and pre-approved by the Company.

In addition, Wells Fargo is to furnish a person to serve as manager of the Company, subject to the approval of the Company. The manager shall be responsible to the Company and report directly to the President and CEO of Wells Fargo.
Accounting services are provided by Willis (Vermont) Ltd, (Willis) under a contract by and between Wells Fargo and Willis.

The agreement was amended and re-executed for the period effective through December 31, 2009. For these services for the years 2007 and 2006, the Company paid Wells Fargo $653,974 and $548,748 respectively.

FIDELITY BOND AND OTHER INSURANCE

The Company is insured on a fidelity bond, issued to the Company, which provides coverage in the amount of $1 million for a single loss and in the aggregate during the bond period. The coverage exceeds the minimum amount of fidelity bond coverage recommended by the NAIC for the Company.

In addition to the fidelity bond, the Company has directors' and officers' liability insurance for an aggregate amount of $5 million.

PENSION AND INSURANCE PLANS

The Company has no employees, thus no pension or insurance plans are provided. Administrative and accounting services are provided pursuant to an agreement with Wells Fargo and are commented upon in this report under the heading of Management Agreements.

STATUTORY DEPOSITS

In compliance with T.C.A. §56-2-104, as of December 31, 2007, the Company maintained a deposit, for the benefit of all policyholders, an amount of $850,000 at a par value, fair value of $851,723 and statement value of $849,974.

The above deposits were verified by direct correspondence with the custodian of the deposit.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2007, the Company was authorized to transact business in Tennessee only.

Plan of Operation

The Company operates as a captive insurance company wholly owned by the Tennessee Valley Public Power Association to provide property and casualty insurance to TVPPA members. The TVPPA members generally purchase $1 million limits of coverage for auto liability, employers' and general liability. Members purchase auto physical damage and statutory limits for workers compensation from a fronting insurance carrier. The Company then assumes the first $250,000 layer per occurrence. General liability is written by the Company in Tennessee.

As of December 31, 2002, an aggregate excess workers compensation and employers indemnity policy was in effect by and between the Company and Distributors Self Insurance Fund (DSIF), a division of the Company. Membership in DSIF is limited to municipal utility and electric cooperative TVPPA members located in the state of Tennessee. DSIF provides workers compensation insurance for its members. Effective January 1, 2003, DSIF transferred to the Company all outstanding liabilities within DSIFs layer of coverage for losses occurring prior to January 1, 2002. This transaction was approved by the Tennessee Insurance Commissioner

The Company has contracted with Wells Fargo Insurance Services Southeast, Inc. (formerly Acordia) for management services. Under the terms of the management agreement, Wells Fargo works with local independent agents, fronting companies and reinsurance companies to place coverage with Distributors on behalf of the participating members of the TVPPA.

Wells Fargo is responsible for marketing the insurance programs offered by Distributors to the members of the TVPPA, issuing and cancelling policies, and billing and collecting premiums. Wells Fargo is also responsible for providing all accounting services, and reports used by Distributors, securing on behalf of Distributors appropriate facultative or treaty reinsurance and arranging for claims services through a provider acceptable to Distributors. Distributors has a contract with GAB Robins, Inc. to accept, review and investigate general liability and automobile claims, establish and maintain claim files, adjust and settle claims, and to provide such accounting reports that detail loss payments and outstanding reserves on open claims. Distributor's has a similar contract with Companion Third Party Administrators (formerly Claims Management Services, Inc.) to provide similar services for workers' compensation claims.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the years shown, as reported in its annual statements filed with the Tennessee Department of Commerce and Insurance:

Year	Net Premiums Written	Premiums Earned	Losses & LAE Incurred	Net Income	Admitted Assets	Policyholder Surplus
2003	3,274,295	3,405,144	2,884,082	(401,567)	16,666,513	9,431,266
2004	2,825,621	2,679,888	1,665,811	128,189	17,784,697	9,722,994
2005	2,750,203	2,781,660	1,894,512	328,011	17,272,566	9,880,542
2006	3,011,335	2,840,987	1,751,243	489,742	18,008,130	10,831,408
*2007	2,683,947	2,819,572	1,554,475	466,019	17,716,077	10,847,055

* Per current Examination

LOSS EXPERIENCE

The following details the Company's loss experience, for the years under review, as reported in its annual statements filed with the Tennessee Department of Commerce and Insurance:

Year	Losses Incurred	LAE Incurred	Premiums Earned	Loss Ratio
2003	2,907,410	(23,328)	3,405,144	84.70%
2004	918,824	746,987	2,679,888	62.16%
2005	1,144,416	750,096	2,781,660	68.11%
2006	1,664,205	87,038	2,840,987	61.64%
2007	1,163,938	390,537	2,819,572	55.13%

REINSURANCE

ASSUMED BUSINESS:

1. **Lexington Insurance Company**

Effective July 1, 2001 and as amended through December 31, 2007, the Company entered into an agreement with Lexington Insurance Company. Under the agreement, the Company assumes 100% of the first $250,000 ($100,000 prior to July 1, 2003) of losses of commercial general liability policies issued to members of the Tennessee Valley Public Power Association outside of Tennessee. The Company pays Lexington a ceding commission of 11%. Under the terms of the agreement, claims services are to be provided by GAB Robins for claims arising under the reinsured policies. In accordance with the Agreement, the Company has posted a letter of credit for $800,000 as of July 1, 2008 with Lexington to secure its obligations.

2. **Federal Insurance Company, through Chubb & Son**

Effective June 30, 2001, the Company entered into a reinsurance agreement with Federal

Insurance Company, represented by Chubb & Son, a division of Federal Insurance Company, as manager. Under the terms of the fronting agreement, non Tennessee workers compensation and automobile coverage is underwritten by Chubb & Son with the Company assuming the first $250,00 ($100,000 prior to July 1, 2004) of liability per claim on non Tennessee workers compensation and the first $250,000 ($100,000 prior to July 1, 2006) of liability per claim on all automobile coverages. The Company pays a ceding commission of 9%.

All of the Company's reinsurance agreements were reviewed and found to contain the standard provision for arbitration, cancellation, errors and omissions, exclusions, insolvency, offset, settlement, taxes and termination.

ACCOUNTS AND RECORDS

The Company maintains its corporate books, records of minutes of meetings of the stockholders, board of directors and various committees at its stated home office location, 1206 Broad Street, Chattanooga, Tennessee 37402. The accounts and records for financial reporting are maintained at the location of the management company, Wells Fargo Insurance Services Southeast, Inc. (Wells Fargo) in Atlanta, Georgia. Accounting services are provided by Willis (Vermont) Ltd (Willis) in Burlington, Vermont. The accounting services are provided pursuant to an agreement by and between Willis and Wells Fargo and were approved by the Company's Board of Directors. Copies of records for completion of financial statements are forwarded to the Company's home office location in Chattanooga.

FINANCIAL STATEMENTS

The following financial statements reflect the financial condition of the Company as of December 31, 2007 as determined by this examination.

Balance Sheet:
- Assets
- Liabilities, Surplus and Other Funds

Statement of Income

Policyholders Surplus Account

Analysis of Examination Changes to Surplus

The accompanying Notes to Financial Statements are an integral part of these Financial Statements.

ASSETS

	Ledger	Nonadmitted	Net Admitted
	Assets	Assets	Assets
Bonds	$10,468,428		$10,468,428
Stocks: Common stocks	4,003,791		4,003,791
Real estate: held for production of income	2,365,196	564,383	1,800,813
Cash & short term investments	18,088		18,088
Subtotals cash and invested assets	**16,855,503**	**564,383**	**16,291,120**
Investment income due and accrued	122,508		122,508
Premiums and consideration:			
Uncollected premiums & agents' balances in course of collection	69,713		69,713
Current federal income tax recoverable	14,156		14,156
Net deferred tax asset		12,888	(12,888)
Receivable from parent, subsidiaries & affiliates	537,838		537,838
Aggregate write-ins for other than			
invested assets	693,630		693,630
Totals	**$18,293,348**	**$577,271**	**$17,716,077**

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	$ 4,422,536
Reinsurance payable on paid losses and loss adjustment expenses	479,360
Loss adjustment expenses	366,131
Other expenses	278,635
Taxes, licenses and fees	12,667
Net deferred tax liability	30,950
Unearned premiums	1,232,820
Amounts withheld or retained for account of others	15,000
Aggregate write-ins for liabilities	30,923
Total liabilities	**6,869,022**
Common capital stock	400,000
Gross paid in and contributed surplus	351,000
Unassigned funds	10,096,055
Surplus as regards policyholders	10,847,055
Totals	**$17,716,077**

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

Underwriting Income	
Premiums earned	$ 2,819,572
Deductions:	
Losses incurred	1,163,938
Loss expenses incurred	390,537
Other underwriting expenses incurred	1,405,045
Total underwriting deductions	2,959,520
Net underwriting gain or (loss)	(-) 139,948
Investment Income	
Net investment income earned	562,224
Net realized capital gains or (losses)	(-)14,171
Net investment gain or (loss)	548,053
Other Income	
Aggregate write-ins for miscellaneous income	209,501
Total other income	209,606
Net income before dividends to policyholders & before federal income taxes	617,606
Federal and foreign income taxes incurred	(-) 151,587
Net Income	**$ 466,019**

RECONCILIATION OF SURPLUS FOR THE PERIOD UNDER EXAMINATION

Surplus December 31, 2002		$9,457,963
Net income, 2003	$(-) 401,567	
Change in net unrealized capital gains or (losses)	528,086	
Change in non admitted assets	3,479	
Aggregate write-ins for gains and losses in surplus	(156,965)	
Change in surplus as regards policyholders for the year		(-)26,697
Surplus December 31, 2003		$9,431,266
Net income, 2004	$128,189	
Change in net unrealized capital gains or (losses)	329,980	
Change in non admitted assets	(35,506)	
Aggregate write-ins for gains and losses in surplus	(-) 130,935	
Change in surplus as regards policyholders for the year		291,728
Surplus December 31, 2004		$9,722,994
Net income, 2005	$328,011	
Change in net unrealized capital gains or (losses)	(148,931)	
Change in non admitted assets	343	
Aggregate write-ins for gains and losses in surplus	(-) 21,875	
Change in surplus as regards policyholders for the year		157,548
Surplus December 31, 2005		$9,880,542
Net income, 2006	$489,742	
Change in net unrealized capital gains or (losses)	349,995	
Change in non admitted assets	36,110	
Aggregate write-ins for gains and losses in surplus	75,019	
Change in surplus as regards policyholders for the year		950,866
Surplus December 31, 2006		$10,831,408
Net income, 2007	466,019	
Change in net unrealized capital gains or (losses)	37,759	
Change in non admitted assets	(518,599)	
Aggregate write-ins for gains and losses in surplus	30,468	
Change in surplus as regards policyholders for the year		15,647
Surplus December 31, 2007		$10,847,055

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION

There were no changes to the Company's surplus as a result of this examination.

COMMENTS AND RECOMMENDATIONS

Comments

Custody Agreement

During the review of the Company's invested assets, it was noted that the custodian agreement in effect as of the date of this examination was not in compliance with the requirements of Tennessee statutes and regulations governing the placement of insurance company securities. Tenn. Comp. R. & Regs. Ch. 0780-1-46-03(2)(a) requires, in pertinent part, that executed custodial agreements and affidavits shall be available upon request for purposes of insurance company examinations under T.C.A. §§ 56-1-408 through 56-1-413; that such custodial agreements provide a standard of responsibility on the part of the custodian which shall not be less than the responsibility of a bailee for hire or a fiduciary under statutory or case law of Tennessee; that securities held by the custodian are subject to instructions of the insurance company; and that securities may be withdrawn immediately upon demand of the insurance company.

The Company's custodian agreement did not contain the specific language requiring that the custodian provide a standard of responsibility which shall not be less than the responsibility of a bailee for hire or a fiduciary under statutory or case law of Tennessee. In addition, the agreement did not contain the provision that securities held by the custodian are subject to instructions of the insurance company, and that securities may be withdrawn immediately upon demand of the insurance company. During our examination, after we brought this condition to the Company's attention, the Company took the necessary action and had the custody agreement amended, restated and substituted to include the required language. The agreement was executed on May 26, 2009

Conflict of Interest

On April 22, 2004, the Company's board of directors adopted a policy statement for annual disclosure of possible conflicts of interests on the part of its directors or officers. However, no questionnaires were completed for the years under review.

During the examination, the Company's board of directors and officers completed conflict of interest questionnaires. The questionnaires were executed during May 26, 2009 through June 3, 2009.

Real estate

On May 30, 2007, the Company requested approval for the purchase of real estate located in Chattanooga, Tennessee. The real estate consists of a building adjoining the parent's offices and a parking lot. It was the Company's intention to move its principal office into part of the proposed acquisition and to lease the balance. The cost of the purchase was in excess of the amounts permitted under Tenn. Code Ann. §56-3-405(1). The proposed acquisition was approved by the Tennessee Insurance Commissioner on June 14, 2007 subject to a limitation on the Company's admitted asset for real estate. The admitted asset limitation was $1,800,813.

During our examination, we noted that the purchased property is unoccupied. In discussions with an officer of the Company, DIC was to occupy one office and the balance of the space was to be leased to others.

Based on this information, it appears that the real estate purchased by the Company is not for the purpose of its principal office that is requisite for the convenient accommodations in the transaction of its insurance business. The actual management and accounting functions of the Company are performed outside of Tennessee. It appears that the acquisition was not in compliance with the requirements of Tenn. Code Ann. §56-3-405(1).

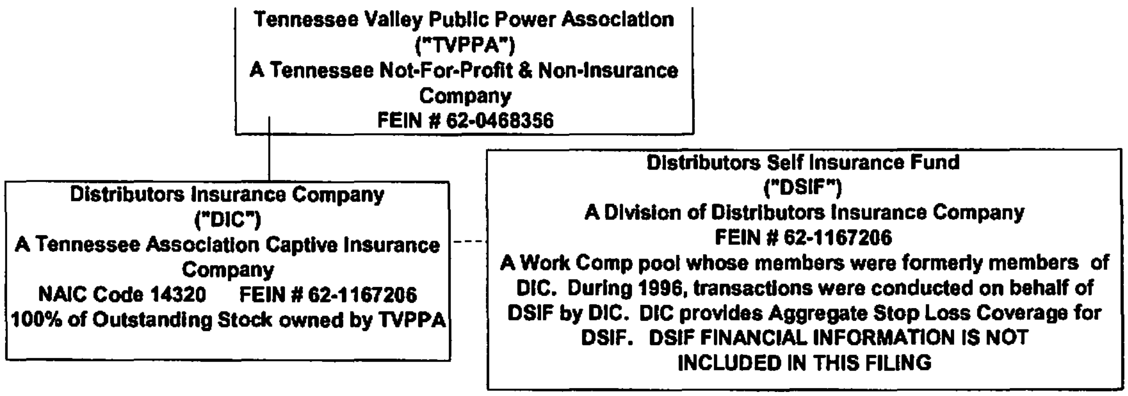
Subsequently, after bringing this to the Company's attention, the Company, pursuant to Tenn. Code Ann. §56-3-406, requested the Tennessee Insurance Commissioner for an extension of time to hold the property. On June 18, 2009, the Tennessee Insurance Commissioner granted the Company an extension of time to June 30, 2011 to hold the property, subject to the limitation imposed under Tenn. Code Ann. §56-3-405.

SUBSEQUENT EVENTS

There are no subsequent events which would have a material impact on the financial condition of the Company.

AFFILIATED COMPANIES

Organizational Chart



CONCLUSION

Our examination disclosed that as of December 31, 2007, the Company had admitted assets of \$17,716,077, liabilities of \$6,869,022, capital of \$751,000 and unassigned funds of \$10,096,055.

Based upon our examination, the accompanying balance sheet properly presents the statutory financial position of the Company as of December 31, 2007, and the accompanying statement of income properly represents the statutory results of operations for the period then ended. The supporting financial statements properly present the information prescribed by the Tennessee Code Annotated, Tennessee Regulations and the National Association of Insurance Commissioners.

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

In addition to the undersigned, Sandy M. Banks, Insurance Examiner II, State of Tennessee participated in the work of this examination.

The actuarial portion of this examination was completed by Gregory S. Wilson, F.C.A.S., M.A.A.A. of Lewis and Ellis, Inc.

Respectfully submitted,

Ilona Klasons

Ilona Klasons, CFE, CIE
Examiner-in-Charge
A.M. Bennett Company
Representing the Tennessee Department of Commerce and Insurance

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report on Distributors Insurance Company, dated May 26, 2009, and made as of December 31, 2007, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says she is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of her knowledge, information and belief.

Ilona Klasons

Ilona Klasons, CFE, CIE
Examiner-in-Charge
State of Tennessee

Subscribed and sworn to before me this

19th day of June, 2009

Cheryl L. Schaffer
Notary

County BALTIMORE

State MARYLAND

Commission Expires 6-12-2011

CHERYL L. SCHAFFER
Notary Public
Baltimore County
Maryland
My Commission Expires Jun 12, 2011

CHERYL L. SCHAFFER
Notary Public
Baltimore County
Maryland
My Commission Expires Jun 12, 2011

MILLER & MARTIN PLLC
ATTORNEYS AT LAW

1200 ONE NASHVILLE PLACE
150 FOURTH AVENUE, NORTH
NASHVILLE, TENNESSEE 37219-2433
(615) 244-9270
FAX (615) 256-8197 OR (615) 744-8466

Dan H. Elrod
Direct Dial (615) 744-8520
Direct Fax (615) 744-8620
delrod@millermartin.com

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STATE OF TENNESSEE
JUN 25 2009
Dept. of Commerce & Insurance
Assistant Commissioner
Insurance Division

June 24, 2009

VIA E-MAIL AND HAND DELIVERY

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Dept. of Commerce & Insurance
Company Examinations

Mr. Larry Knight
Assistant Commissioner for Insurance
Tennessee Department of Commerce and Insurance
Insurance Division – Actuarial Services Section
500 James Robertson Parkway, 4th Floor
Nashville, TN 37243-1133

RE: Distributors Insurance Company

Dear Mr. Knight:

On behalf of Distributors Insurance Company, this letter will confirm that the company intends to file no objections or comments in response to the recent Report on Examination, and it hereby waives its right to do so.

Thank you for your attention to this matter.

Very truly yours,

Dan H. Elrod

cvp
cc: Mr. Phil Blustein

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EXHIBIT
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