EXHIBIT A

STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

FIRST ACCEPTANCE INSURANCE COMPANY OF TENNESSEE, INC.

(NAIC # 12825)
(NAIC Group # 3362)

NASHVILLE, TENNESSEE

AS OF

DECEMBER 31, 2015

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Nashville, Tennessee
May 1, 2017

Honorable Julie Mix McPeak
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with the Tennessee Code Annotated ("Tenn. Code Ann.") § 56-1-408, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope financial examination and market conduct review, as of December 31, 2015, has been made of the conditions and affairs of:

FIRST ACCEPTANCE INSURANCE COMPANY OF TENNESSEE, INC.
NAIC # 12825
NAIC Group # 3362
3813 Green Hills Village Drive
Nashville, Tennessee 37215

hereinafter generally referred to as the "Company" or "FAICTN" and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or "Department") under rules promulgated by the NAIC. The examination commenced on February 21, 2017, and was conducted by duly authorized representatives of the TDCI and representatives of Eide Bailly, LLP. This examination was called through the NAIC's Financial Examination Electronic Tracking System (FEETS). This examination was part of a coordinated examination led by the State of Texas. The State of Georgia also participated in the coordinated examination. Each state conducted examinations of companies domiciled in their respective state. Further description of the coordination effort between the states is discussed below under the heading "Scope of Examination."

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2010. This examination covers the period January 1, 2011, through December 31, 2015, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of the examination.

The Company is part of the First Acceptance Group, with the State of Texas as the group's lead state. A coordinated examination of the group was performed, as of December 31, 2015, led/facilitated by the State of Texas. There were no examination sub-groups. The other participating state was Georgia. Staff from the states of Texas and Georgia participated on-site for the examination and collaborated on the work performed. Tennessee participated by attendance on-site at, and conferencing into, meetings, and leveraged off the work of the group examination once the TDCI fieldwork commenced. For a complete list of all of the insurance companies in the group, see the "Organizational Chart" later in this report.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with the NAIC *Financial Condition Examiners Handbook* ("Handbook"), as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Company as of December 31, 2015. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, identification and assessment of inherent risks within the Company, and by evaluation of system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions.

During planning, all accounts and balances were considered to determine which key activities and accounts would be examined. The key activities included: Investments; Premiums and Underwriting; Actuarial; Claims Handling; Related Parties; and Capital and Surplus.

The Company's 2015 annual statement was compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology general controls (ITGC) was conducted by the lead state and reviewed as part of this examination. The examination included a review of management and organizational controls, logical and physical security controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A separate limited market conduct review was also performed concurrently with the financial examination.

The Company and other members of the First Acceptance Group do not have an Internal Audit (IA) Department. The companies utilized the services of Frasier, Dean and Howard PLLC, a local Nashville certified public accounting firm to perform IA services. IA activities focus almost entirely on Sarbanes-Oxley (SOX) compliance testing. The scope of SOX testing included the Company's internal controls over financial reporting. The examiners reviewed the processes tested and requested the workpapers for specific processes which had been identified as significant to the key activities and sub-activities being examined. The workpapers were provided and were utilized where appropriate.

TDCI relied upon the work of the coordinated examination actuary from the Texas Department of Insurance for the review of the Company's loss reserves. Independent reinsurance and investment specialist services were not deemed necessary.

Ernst & Young, LLP (EY) was the Company's Certified Public Accountant (CPA) and independent auditor for the Company for all years under examination. The CPA's workpapers were reviewed for the 2015 audit and copies were incorporated into the examination, as deemed appropriate.

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

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The previous full-scope examination report, dated June 5, 2012, which covered the period from December 4, 2006, through December 31, 2010, contained one comment and no recommendations. The comment related to the shareholders' annual meeting being held in October 2011, despite the Company's bylaws which call for the annual meeting to be held between January 1 and May 30.

During the current period under examination, the shareholders' annual meeting for 2011 was held on December 23rd. The shareholders' annual meetings in 2012, 2013, 2014, 2015, and 2016 were held in accordance with the Bylaws.

COMPANY HISTORY

FAICTN was incorporated as a for-profit insurance company under the Tennessee Business Corporation Act on June 30, 2006. Formed as a wholly-owned subsidiary of First Acceptance Insurance Company, Inc. (FAIC), a Texas-domiciled property and casualty insurance company, the Company was issued a Certificate of Authority by the TDCI on December 21, 2006, to engage in the business of property, casualty, and surety insurance. FAIC is a wholly-owned indirect subsidiary of First Acceptance Corporation (FAC), a publicly traded corporation, of which fifty-three and one-tenths percent (53.1%) is owned by Gerald Ford, the ultimate controlling person of the Company.

When the Company was organized in June of 2006, it had $20,000,000 of authorized capital stock, which consisted of ten million (10,000,000) shares of $2 par value per share common stock. Originally, the Company had five hundred thousand (500,000) shares of $2 par value per share issued and outstanding. In 2015, an additional one hundred thousand (100,000) shares of $2 par value per share common stock was purchased by FAIC to increase the capital stock for purposes of meeting another state's minimum capital requirement. As of December 31, 2015, six hundred thousand (600,000) shares of $2 par value per share common stock were issued and outstanding and wholly-owned by FAIC.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The Company's Bylaws state that the business and affairs of the corporation shall be managed by a Board of Directors ("Board") who shall be elected at the annual meeting of the shareholders held for that purpose and to conduct such other business.

The Company's Bylaws state that the number of directors shall consist of not less than one (1) nor more than nine (9), as determined by the shareholders. A majority of directors constitutes a quorum. Directors serve until the next annual meeting of the shareholders, and thereafter, until a successor has been elected.

The following persons were duly elected by the shareholders on April 22, 2015, and were serving as members of the Board, as of December 31, 2015:

Name	Principal Occupation
Joseph S. Borbely	President of FAICTN
Michael J. Bodayle	Secretary and Treasurer of FAICTN

The Bylaws allow any action required or permitted to be taken at a meeting of the Board, or of any committee thereof, to be taken without a meeting, if prior to such action, a written consent thereto is signed by all Board or committee members, and such written consent is filed with the minutes of proceedings. Such consent shall have the same force and effect as a vote at a meeting. Any or all of the directors, or committee members may participate in meetings by means of conference telephone or similar communication equipment.

Officers

The Bylaws provide that the officers of the Company shall be a President, a Secretary, and a Treasurer. The Board of Directors may also elect a Chairman of the Board, one or more Vice-Presidents, one or more Assistant Secretaries and Assistant Treasurers, and such other officers and assistant officers and agents as it deems necessary. Two or more offices may be held by the same person. None of the officers are required to be directors, except for the President.

The following officers were duly elected by the Board on April 22, 2015, and were serving as officers of the Company, as of December 31, 2015:

Name	Title
Joseph S. Borbely	President
Michael J. Bodayle	Vice President, Secretary, and Treasurer
Daniel L. Walker	Vice President of Operations
Brent J. Gay	Chief Financial Officer

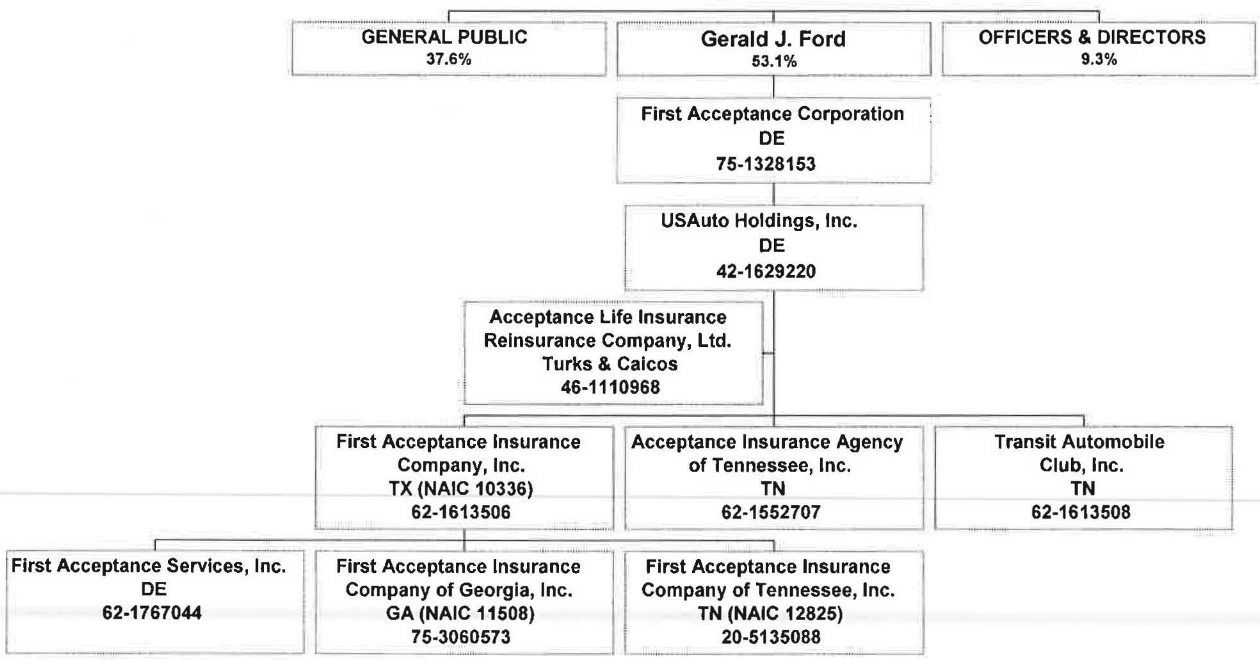
The Board from time to time may designate members of the Board to constitute committees, including an Executive Committee, comprised of not less than two (2) directors. The committees shall have and may exercise such power as the Board may determine and specify in the respective resolutions appointing them.

The administrative and executive functions of the Company are performed by affiliated entities, which are more fully described in this report under the heading "Agreements with Parent, Subsidiaries, and Affiliates."

CONTROL

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101, and as such, is subject to the Insurance Holding Company System Act of 1986, set forth in Tenn. Code Ann. §§ 56-11-101, *et seq.* The Company is a wholly-owned subsidiary of FAIC, which is wholly-owned by USAuto Holdings Inc. (subsequently renamed as FAC Holdings, Inc.), which is wholly-owned by First Acceptance Corporation (FAC), a publicly traded entity. The ultimate controlling person is Gerald J. Ford, due to his fifty-three and one-tenths percent (53.1%) ownership of FAC, as of December 31, 2015. FAC files a holding company registration statement annually, as required by Tenn. Code Ann. § 56-11-105.

ORGANIZATIONAL CHART



CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

The Company is required to comply with Tenn. Code Ann. § 56-3-103 prohibiting officers and directors of insurance companies from having a pecuniary interest in the investment or disposition of funds of a domestic insurance company. FAICTN has adopted a Code of Conduct Policy which requires compliance with all laws and regulations applicable to its business at all governmental levels. The policy requires all directors and employees to conduct business of the Company on the highest ethical level and be free from conflicting interests and relationships. The policy further requires that all directors and management employees annually report all information required to be reported herein and such other information as may be relevant to determine the existence or likely development of a significant conflict of interest.

The annual conflict of interest disclosure statements filed by the Company's directors, officers, and responsible employees in each year of the examination period were reviewed. No conflicts were noted in the statements reviewed. However, the Company failed to obtain two (2) conflict of interest statements for 2013 and one (1) conflict of interest statement for 2015. See "Comments and Recommendations" section, later in this report.

DIVIDENDS

During the period of examination, the Company did not declare nor pay any dividends.

CORPORATE RECORDS

The minutes of meetings of the Company's shareholders, Board, and committees were reviewed for the period under examination. They were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies. The review of the minutes indicates that all investment transactions were approved by the Board.

Charter

There were no changes to the Company's Charter during the period of examination. The Charter of the Company, in effect as of December 31, 2015, is the Company's Amended and Restated Charter, which was filed with the Tennessee Secretary of State on May 6, 2010.

The Charter states the Corporation is for-profit and its purpose is to engage in the business of insurance, including but not limited to property or casualty insurance, and to engage in any other lawful business under the laws of the State of Tennessee. The general provisions and powers enumerated in the Company's Charter are usual in nature and consistent with corporations of this type.

Bylaws

There were no changes to the Company's Bylaws during the period of examination. The Bylaws of the Company, in effect as of December 31, 2015, are the Company's original Bylaws, which were adopted by the Board on June 20, 2006.

The Bylaws provide for an annual shareholders' meeting at which a Board is elected. Officers are elected by the Board. The Bylaws are such as generally found in corporations of this type and contain no unusual provisions. They provide for the regulation of the business and for the conduct of the affairs of the Company, the Board, and its shareholders.

AGREEMENTS WITH PARENT, SUBSIDIARIES, AND AFFILIATES

The Company had three (3) agreements with affiliated companies in effect as of December 31, 2015. The following are summaries of these agreements:

Intercompany Agreement

Effective January 1, 2011, the Company entered into an intercompany agreement with USAuto Holdings, Inc. and its subsidiaries to govern transactions between the various affiliates. Under the terms of the agreement, cash settlements are to occur within thirty (30) days after the end of each month. Based upon generally accepted accounting principles, the Company is allocated charges for expenses incurred for office operations such as payroll, underwriting, management, accounting, and facilities.

Under an addendum to the agreement, First Acceptance Services, Inc. provides claims handling services to the Company and is reimbursed by the Company for these services at actual cost.

Tax Allocation Agreement

Effective January 1, 2011, the Company entered into a tax allocation agreement with FAC and its affiliates whereby the parties agreed to file consolidated tax returns. Under the terms of the agreement, each party paid FAC a percentage of the consolidated tax liability equal to its percentage of the sum of the separate tax liabilities. The agreement included provisions to allocate payments to the parties which would have received a refund if separate returns were filed. Settlements are to occur in cash within thirty (30) days after filing the estimated or actual return, except refunds, which are due from FAC within thirty (30) days after it receives the refund from the Internal Revenue Service.

Pooling Reinsurance Agreement

Effective January 1, 2008, the Company entered into an intercompany pooling reinsurance agreement with FAIC and First Acceptance Insurance Company of Georgia, Inc. (FAICGA). See the "Reinsurance" section of this report for further details.

FIDELITY BOND AND OTHER INSURANCE

The Company is listed as a named insured on a financial institution bond carried by its parent, FAC. Other insurance policies were reviewed and the Company is listed as a named insured on the following insurance coverages maintained by FAC as of December 31, 2015:

Financial Institution (Crime) Bond	General Liability
Umbrella Liability	Directors and Officers Liability
Fiduciary Liability	Employment Practices Liability
Errors & Omissions	Technology Errors & Omissions
Property	Employee Benefits Liability
Automobile Liability	Workers Compensation
Aircraft Hull & Liability	

The Company's fidelity coverage exceeds the minimum amount suggested in the NAIC Handbook. The bonds and policy coverages were inspected and appear to be in-force as of the date of this examination. All of the above policies were issued by companies licensed to transact business in the State of Tennessee or by authorized surplus lines insurers.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company has no employees other than the employee agents working in the Company. All business functions are performed by affiliated companies under service agreements discussed under the caption, "Agreements with Parent, Subsidiaries, and Affiliates".

TERRITORY AND PLAN OF OPERATION

Territory

At December 31, 2015, the Company was licensed to transact business in Illinois, Indiana, Mississippi, Ohio, Pennsylvania, Tennessee, and Virginia. During 2016, the Company also became licensed in the State of Missouri. Certificates of Authority granted by the licensed states were reviewed and found to be in force on December 31, 2015. As of December 31, 2015, the Company was only writing business in Tennessee. Per the 2015 Annual Statement, Schedule T, the Company wrote $18,070,296 in direct written premiums. Premium tax records were reviewed for Tennessee, and no exceptions were noted.

Plan of Operations

The Company is a stock for-profit property and casualty insurer and offers non-standard automobile insurance. Prior to the Company's incorporation; the parent company, FAIC, was licensed and writing business in the State of Tennessee.

The Company operates company-owned retail stores in Tennessee. Business is written through the retail stores by employee-agents and three (3) independent agents in the Memphis and Nashville areas of Tennessee.

Operating from FAC's main administrative office in Nashville, Tennessee, the Company utilizes FAC's two (2) regional claims offices in Tampa and Chicago, as well as the primary claims office in Nashville, Tennessee.

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 as filed with the TDCI:

Year	Admitted Assets	Liabilities	Capital and Surplus	Premiums Earned
2015	$27,974,818	$18,077,252	$9,897,566	$21,361,203
2014	$25,057,113	$14,834,715	$10,222,398	$17,476,863
2013	$18,588,310	$12,379,101	$6,209,209	$15,998,215
2012	$17,649,789	$11,783,207	$5,866,582	$14,851,506
2011	$18,979,005	$11,371,430	$7,607,575	$13,377,899

LOSS EXPERIENCE

Year	Premiums Earned	Total Losses and Loss Adjustment Expenses	Total Underwriting Expenses	Combined Ratio
2015	$21,361,203	$17,521,855	$6,366,565	111.80%
2014	$17,476,863	$12,903,550	$6,418,455	110.55%
2013	$15,998,215	$11,426,905	$6,071,810	109.38%
2012	$14,851,506	$11,857,878	$6,184,977	121.48%
2011	$13,377,899	$10,361,984	$6,122,437	123.22%

REINSURANCE AGREEMENTS

Reinsurance Assumed

Effective January 1, 2008, the Company entered into a reinsurance pooling agreement. Under the terms of the agreement, the Company assumes an eight percent (8%) portion of the business pooled from FAIC. See "Reinsurance Ceded", below.

Reinsurance Ceded

Effective January 1, 2008, the Company entered into a reinsurance pooling agreement. Under the terms of the agreement, the Company cedes one hundred percent (100%) of its direct written premiums to FAIC, which is combined with direct written premiums of FAIC, business assumed from Old American, and direct written premiums of FAICGA. It is from this pooled business that the Company receives its eight percent (8%) share.

In addition, the Company entered into an excess of loss reinsurance agreement with General Reinsurance Corporation ("General Re"), Stamford, Connecticut. Under the terms of the agreement, the Company ceded bodily injury losses in excess of statutory limits to the reinsurer. The agreement covered the affiliate pooled business and included Old American assumed business.

Other Considerations

All of the Company's financially significant reinsurance agreements were reviewed during either this or prior examinations and found to contain such language as recommended by the NAIC and as required for reinsurance credit by Tenn. Code Ann. § 56-2-207(a)(2). All agreements also appear to effectuate proper transfer of risk in accordance with SSAP No. 62 and NAIC guidelines. In addition, there were no unauthorized reinsurers as of December 31, 2015.

LITIGATION AND CONTINGENT LIABILITIES

During the period of examination, and as of December 31, 2015, the Company is party to various pending legal proceedings arising in the ordinary course of business. Based upon the opinion of its counsel as to the ultimate disposition of such lawsuits and claims, Company management believes that the liability, if any, resulting from the disposition of such proceedings will not be material to the Company's financial condition or results of operations.

During the period of examination, and as of December 31, 2015, the Company was involved in a collective action lawsuit. The Company's 2015 Annual Statement, Notes to Financial Statements, Note 14 provides a description of this action and the result. A review of these notes did not disclose anything that would have a material adverse effect upon the Company. No other contingent commitments and guarantees were noted by the Company, as of December 31, 2015.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the jurisdictions or custodians named below, as of December 31, 2015.

The following are deposits with states where special deposits are for the benefit of all policyholders, claimants, and creditors of the Company:

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value
Tennessee Department of Insurance	US TREASURY NOTE 1.50%, Due 11-30-2019 CUSIP#912828G61	$499,555	$498,010	$500,000
	METRO NASHVILLE AIRPORT AUTHORITY 5.490%, Due 07-01-2018 CUSIP#880558FC0	424,356	439,378	425,000
	TN STATE SCHOOL BOND AUTHORITY 3.262% Due 11/01/2025 CUSIP#880558FC0	589,759	588,728	575,000
Virginia Department of Insurance	US TREASURY NOTE 1.375% Due 02/29/2020 CUSIP#912828J50	$300,000	$296,556	$300,000
Grand Total		**$1,813,670**	**$1,816,672**	**$1,800,000**

Deposits with all jurisdictions or custodians, above, were verified by direct correspondence with the custodians of such deposits.

ACCOUNTS AND RECORDS

Tenn. Comp. R. & Regs. 0780-01-65-.08(4), states that no partner or other person responsible for rendering a report by a certified public accounting firm may act in that capacity for more than five (5) consecutive years. The Company is audited annually by EY and is in compliance with this regulation.

During the course of the examination, certain balances were tested and amounts were traced from the Company's trial balance to the annual statement. Minor differences were noted in the Company's financial statements attributable to rounding. All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. The Company's risk-based capital filings were reviewed. These test checks and reviews revealed no material discrepancies.

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

MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company, as of December 31, 2015, in conjunction with this examination. The following market conduct areas were reviewed:

Operations and Management Standards

Company antifraud initiatives were examined to determine if they are reasonably calculated to prevent, detect, or mitigate fraudulent insurance acts. Company procedures and policies relating to privacy were reviewed to determine compliance with applicable statutes, rules, and regulations. No issues were noted.

Complaint Handling Standards

The Company maintains a complaint register, as required by various state Unfair Trade Practices Acts, and the register and the accompanying files are maintained for a minimum of five (5) years in accordance with statutory requirements. The Company's complaint procedures and complaint register were examined in accordance with requirements of Tenn. Code Ann. § 56-8-104(11) and the NAIC 2015 *Market Regulation Handbook,* and were found to be lacking a complete record on each complaint. The complaint register was found to be missing the processing time for each complaint. See "Comments and Recommendations" section later in this report.

Marketing and Sales Standards

Advertising items were selected for examination including outdoor, brochures and handouts, online, radio, television, yellow pages, and store signage used by the Company to target consumers, agents, and brokers. Advertising items were examined in accordance with Tenn. Code Ann. § 56-8-104(1) and the NAIC *Market Regulation Handbook* (Chapter 16 – Marketing and Sales) and were found to be in compliance.

The Company was found to have strong controls in place for the production and use of all advertising materials, with only company approved materials authorized for use.

Producer Licensing Standards

Tenn. Code Ann. §§ 56-6-101, *et seq.*, requires the Company sell their products and services through producers/agents who are properly licensed and appointed by the Company. In the examination of producer/agent licensing, a comparison was made of the Company's producers/agents utilized during the examination period to the TDCI listing of appointed producers/agents. Seven (7) employees acting as producers/agents were found to not have been appointed by the Company to act on its behalf. See "Comments and Recommendations" section later in this report.

Underwriting and Rating Standards

In the examination of the Company's underwriting procedures and policy administration, policy files for open and closed policies for automobile contracts were reviewed in accordance with Tenn. Code Ann. § 56-8-104, Tenn. Comp. R. & Regs. 0780-01-34, and established Company guidelines. In the examination of these contracts, there were no instances of unfair methods of competition or unfair or deceptive acts found. Underwriting procedures and policy administration conducted by the Company appear to be in compliance with established Company guidelines.

The examiners reviewed a sample of the policy forms that were used by the Company during the period of examination. All forms were noted, without exception, as having been filed with the TDCI prior to their use, in accordance with Tenn. Code Ann. § 56-7-2311(a). The filings are consistent in form and included appropriate documents.

Claims Review

In the examination of claims handling practices, the Company's efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with applicable statutes and rules were examined. In conducting the examination, random samples were selected from claims with benefits payments and claims denied by the Company. The Company's claims were properly documented and handled in accordance with the

Company's policy provisions and applicable statues and rules. No issues or concerns were identified.

Privacy of Consumer Information:

The Company's policies and procedures for the privacy of consumer information were examined to ensure the Company had developed and implemented written policies and procedures for the management of confidential and personal insurance information. The Company's privacy notice contained an opt-out of their responsibility for unauthorized access to a customer's personal information. See "Comments and Recommendations" later in 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 report.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a summary of operations, as of December 31, 2015, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2015 Annual Statement.

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$14,805,758		$14,805,758
Cash and short-term investments	6,717,875		6,717,875
Investment income due or accrued	66,572		66,572
Premiums and considerations:			
Uncollected premiums and agents balances in the course of collection	1,211,247		1,211,247
Deferred premiums not yet due	3,896,845		3,896,845
Electronic data processing equipment and software	16,868		16,868
Furniture and Equipment	92,279	$92,279	0
Receivables from parent and affiliates	1,259,654		1,259,654
Aggregate write-ins for other assets	92,541	92,542	(1)
Total assets excluding separate accounts	$28,159,639	$184,821	$27,974,818
From separate accounts	0	0	0
Totals	$28,159,639	$84,821	$27,974,818

LIABILITIES, SURPLUS, AND OTHER FUNDS

Losses		$8,089,980
Reinsurance payable on paid losses and loss adjustment expenses		1,382,312
Loss adjustment expenses		1,637,530
Commissions payable, contingent commissions and other similar charges		73,066
Other expenses		189,969
Taxes, licenses and fees		119,203
Unearned premiums		6,527,881
Advance premiums		26,490
Ceded reinsurance premiums payable		7,309
Payable to parent, subsidiaries and affiliates		22,817
Aggregate write-ins for liabilities		695
Total liabilities excluding separate accounts business		$18,077,252
From separate accounts statement		0
Total Liabilities		$18,077,252
Common capital stock	$1,200,000	
Gross paid in and contributed surplus	10,500,000	
Unassigned funds (surplus)	(1,802,434)	
Total Capital and Surplus		9,897,566
Totals		$27,974,818

STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned		$21,361,203
Deductions:		
Losses incurred	14,862,791	
Loss adjustment expenses incurred	2,659,064	
Other underwriting expenses incurred	6,366,565	
Aggregate write-ins for underwriting deductions	196,876	
Total underwriting deductions		$24,085,296
Net underwriting gain (loss)		(2,724,093)

INVESTMENT INCOME

Net investment income earned	411,938
Finance and service charges not include in premiums	1,769,320
Net Income (loss)	($542,835)

CAPITAL AND SURPLUS ACCOUNT

	2015	2014	2013	2012	2011
Capital and Surplus December 31, previous year	$10,222,398	$6,209,209	$5,866,582	$7,607,574	$8,829,916
Net income or (loss)	(542,835)	59,422	307,828	(1,284,702)	(1,243,147)
Change in net deferred income tax	0	0	0	(873,058)	415,993
Change in non-admitted assets	18,003	(45,869)	34,799	416,768	(395,191)
Capital changes: Paid in	200,000	0	0	0	0
Surplus adjustment: Paid in	0	4,000,000	0	0	0
Aggregate write-ins for gains and losses in surplus	0	(364)	0	0	3
Net change in capital and surplus for the year	(324,832)	4,013,189	342,627	(1,740,992)	(1,222,342)
Capital and Surplus December 31, current year	$9,897,566	$10,222,398	$6,209,209	$5,866,582	$7,607,574

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus $9,897,566

Total capital and surplus, as established by this examination, is the same as what was reported by the Company in its December 31, 2015 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2015.

Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum capital and surplus of $2,000,000, collectively. Therefore, the Company, as of December 31, 2015, for this examination, maintains capital and surplus in excess of the amounts required pursuant to Tenn. Code Ann. §§ 56-2-114 and 56-2-115.

COMMENTS AND RECOMMENDATIONS

The following list presents a summary of comments and recommendations noted in this report:

Comments

1. The Company failed to obtain two (2) conflict of interest statements for 2013 and one (1) conflict of interest statement for 2015. As a "Best Practice", we suggest the Company obtain conflict of interest statements each year from its officers and directors.

Recommendations

1. The Company's complaint registers were found to be lacking a complete record of each complaint and missing the processing time for each complaint. It is recommended the Company maintain a complete record of each complaint in the register which includes noting the processing time for each complaint.

2. A review of the Company's licensed producers/agents identified seven (7) employees acting as producers/agents which had not been appointed by the Company to act on their behalf. It is recommended the Company ensure all producers/agents utilized by the Company are properly appointed.

3. The Company's privacy notice to customers contained an opt-out of their responsibility for unauthorized access to a customer's personal information. It is recommended the Company change its privacy notice to delete the reference to

their non-responsibility for unauthorized access to a customer's personal information.

CONCLUSION

The customary insurance examination practices and procedures, as promulgated by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities of First Acceptance Insurance Company of Tennessee, Inc.

In such manner, it was found that as of December 31, 2015, the Company had admitted assets of $27,974,818 and liabilities, exclusive of capital and surplus, of $18,077,252. Thus, there existed for the additional protection of the policyholders, the amount of $9,897,566 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds.

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 insurance examiners, Ryan Havick, CFE , MCM of the contracting firm Eide Bailly, LLP, Fargo, North Dakota, participated in the work of this examination.

Respectfully submitted,

James R. Burch, Jr. CPA, CFE
Examiner-in-Charge
Eide Bailly, LLP
Representing the State of Tennessee

Bryant Cummings, CFE, MCM
Assistant Chief Examiner
Tennessee Department of Commerce and Insurance

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of First Acceptance Insurance Company of Tennessee located in Nashville, Tennessee, dated April 21, 2017, and made as of December 31, 2015, 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 R. Burch, Jr. CPA, CFE
Examiner-in-Charge
Eide Bailly, LLP
Representing the State of Tennessee

State Nevada

County Washoe

Subscribed to and sworn before me

this 6th day of June, 2017

(NOTARY)

My Commission Expires: 01/05/2021

KRISTINE CAMBUNGA
NOTARY PUBLIC
STATE OF NEVADA
COUNTY OF WASHOE
My Comm. Exp.: 01-05-2021
Certificate No.: 17-1433-2

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of First Acceptance Insurance Company of Tennessee located in Nashville, Tennessee, dated April 21, 2017, and made as of December 31, 2015, 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.

Bryant Cummings, CFE, MCM
Assistant Chief Examiner
Tennessee Department of Commerce & Insurance

State Tennessee

County Davidson

Subscribed to and sworn before me

this 9th day of June, 2017

Mindy C. Walker
(NOTARY)

MINDY C WALKER
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY
MY COMMISSION EXPIRES 7-6-2020

My Commission Expires: 7.6.2020

EXHIBIT B

June 8, 2017

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 – **First Acceptance Insurance Company of Tennessee, Inc.**

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for **First Acceptance Insurance Company of Tennessee, Inc.** By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

FIRST ACCEPTANCE INSURANCE COMPANY OF TENNESSEE, INC.

Mike Bodayle
Vice-President, Secretary-Treasurer