EXHIBIT A

STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF THE

MONROE COUNTY MUTUAL FIRE INSURANCE COMPANY

MADISONVILLE, TENNESSEE

AS OF

DECEMBER 31, 2013

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Nashville, Tennessee
May 5, 2015

Honorable Julie Mix McPeak
Commissioner
State of Tennessee
Department of Commerce and Insurance
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. § 56-22-115, regulations, and resolutions adopted by the National Association of Insurance Commissioners ("NAIC"), a full-scope individual financial examination and market conduct review, as of December 31, 2013, has been made of the condition and affairs of:

MONROE COUNTY MUTUAL FIRE INSURANCE COMPANY
442 Main Street
Madisonville, Tennessee 37354

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

INTRODUCTION

This examination was arranged by the Commissioner of the Tennessee Department of Commerce and Insurance ("TDCI"), commenced on May 15, 2014, and was conducted by duly authorized representatives of the TDCI pursuant to Tenn. Code Ann. § 56-22-115.

SCOPE OF EXAMINATION

This examination report covers the period from January 1, 2009, to the close of business on December 31, 2013, 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 the NAIC *Financial Condition Examiners Handbook* and practices and procedures of the TDCI. The examination was planned to evaluate the financial condition and to identify prospective risks of the Company, and to evaluate 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.

Our examination reviewed the Company's business policies and practices, management and corporate matters, verified 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.

The Company was not required to file audited financial statements with the TDCI. Therefore, the examination did not include a review of audit workpapers.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

Our examination included a review to determine the current status of the comments and recommendations in our previous Report on Examination, dated December 31, 2008, which covered the period from January 1, 2004, through December 31, 2008. A summary of the directives and the corrective actions taken by the Company is discussed below:

Directive #1

Pursuant to Tenn. Code Ann. § 56-22-109 and TN Rules & Regs. 0780-01-78-.04, the Company was directed to comply with SSAP No. 16, PP3, which requires the Company to depreciate EDP equipment and software for a period not exceeding three (3) years using methods detailed in SSAP No. 19.

Corrective Action

The Company complied with this directive.

Directive #2

Pursuant to Tenn. Code Ann. § 56-22-109 and TN Rules & Regs. 0780-01-78-.04, the Company was directed to comply with SSAP No. 19, PP2, which requires the Company to depreciate furniture, fixtures and equipment against net income that are defined as non-admitted assets by SSAP No. 4. Also, the Company was directed to report the undepreciated portion of assets meeting the definition of non-admitted assets as non-admitted assets on the annual statement and reduce surplus by the non-admitted amount.

Corrective Action

The Company complied with this directive.

Directive #3

Pursuant to Tenn. Code Ann. § 56-22-109 and TN Rules & Regs. 0780-01-78-.04, the Company was directed to account for advance premiums in accordance with SSAP No. 53, PP13, in its statutory financial statements.

Corrective Action

The Company has satisfactorily addressed this item.

Directive #4

Pursuant to TN Rules & Regs. 0780-01-78-.04(4), the Company was directed to file with the TDCI an opinion of an appointed actuary in accordance with the NAIC's Quarterly and Annual Statement Instructions – Property and Casualty .

Corrective Action

During the period of examination, the Company's gross written premium did not exceed $1,000,000 in a policy year. Therefore, the Company was exempt from filing an actuarial opinion with the TDCI pursuant to TN Rules & Regs. 0780-01-78-.04(4).

COMPANY HISTORY

The Company incorporated on November 8, 1912, under the provisions of the Tennessee Business Corporation Act, as a non-profit mutual benefit corporation, and organized as a county mutual fire insurance company (county mutual), pursuant to Tennessee Code Annotated Title 56, Chapter 22, for the purpose of insuring loss or damage to property due to fire, lightning or tornadoes to residents of Monroe County in the state of Tennessee. The Company commenced business on November 8, 1912.

As of December 31, 2013, and as of the date of this examination report, the Company was licensed to transact business in the state of Tennessee pursuant to Tenn. Code Ann. § 56-22-106(a) and (b)(1).

MANAGEMENT AND CONTROL

MANAGEMENT

Management of the Company is vested in a Board of Directors ("Board"), elected annually. The Company's Bylaws define a Member as a person having insurance with the Company. In accordance with the Bylaws, the Board shall consist of fifteen (15) Members (policyholders). The following persons were duly elected by the Members to serve on the Board, as of December 31, 2013:

Director	Home City and State
Roy J. Thompson	Philadelphia, TN 37846
Michael W. Gray	Tellico Plains, TN 37385
Goldie M. Brown	Sweetwater, TN 37874
Victor D. Patterson	Madisonville, TN 37354
Marshall E. Raper	Madisonville, TN 37354
Lee Turpin	Madisonville, TN 37354
Paul D. Mason	Madisonville, TN 37354
Bruce W. Thomas	Madisonville, TN 37354
Jerry Lay	Madisonville, TN 37354
George W. Beaty	Tellico Plains, TN 37385
Bill J. Shadden	Tellico Plains, TN 37385

Annual meetings of the Members are held on the last Saturday in February. The Secretary / Treasurer must give all Members advance notice of the annual meetings and any called meeting of the Members. Notice of Member meetings must be published in a newspaper published in Monroe County. This shall be deemed sufficient notice to all Members of annual meetings. Members elect Board directors at the annual meeting. All directors on the Board are Members. One third (1/3) of the Board is elected at each annual meeting and serves a term of three (3) years. A majority of the Board constitutes a quorum, as defined by the Bylaws.

Annual and special meetings of the Members shall be held at the call of the Board and shall be held at the office of the Company, or at such place as the Board may designate. Board meetings are held on the same day as the Members' meetings, and in July of each year.

The Bylaws of the Company instruct the Board to appoint the officers of the Company annually, immediately following the annual meeting of the Members.

The following persons served as the Company's officers, as of December 31, 2013:

Name	Title
Roy J. Thompson	President, Director
Michael W. Gray	Vice President, Director
Goldie M. Brown	Secretary, Treasurer, Director

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

Executive Committee

Name	Title
Roy J. Thompson	President, Director
Michael W. Gray	Vice President, Director
Goldie M. Brown	Secretary, Treasurer, Director

Audit Committee

Name	Title
Victor D. Patterson	Director
Michael W. Gray	Vice President, Director
Lee Turpin	Director

CONTROL

The Company is equally owned by its Members, who are the Company's policyholders. The Company has never issued any shares of capital stock or established guaranteed capital.

Each Member is entitled to one (1) vote, irrespective of the number of policies owned by a Member. No Member shall be entitled to more than one (1) vote, whether such policy is held individually, jointly or otherwise. No Member shall vote by proxy.

A quorum for the transaction of business consists of ten percent (10%) of the membership or fifteen (15) Members, whichever is less. The affirmative vote of a quorum shall be necessary to pass any action. See the "Comments and Recommendations" section of this examination report.

The Company's Members held five (5) annual meetings and no special meetings during the examination period.

CONFLICTS OF INTEREST AND PECUNIARY INTEREST

On February 27, 2010, the Board voted to have each director read and sign a conflict of interest clause that is kept in the Company's office. Also, each officer signed a conflict of interest statement.

A review of the Company's compliance with Tenn. Code Ann. § 56-3-103 found no director or officer of the Company had a pecuniary interest in the investment or disposition of Company funds.

AFFILIATED COMPANIES

The Company is licensed as a "county mutual insurance company," owned by its Members. It does not have any subsidiaries or affiliates and does not meet the definition of a holding company system defined by Tenn. Code Ann. § 56-11-101(b)(7).

CORPORATE RECORDS

Charter

The Charter recites general and specific powers of the Company in detail. The Charter, as currently stated, was inspected and found to have been duly issued and properly recorded. There were no amendments to the Charter during the period of examination.

Bylaws

The Bylaws were reviewed and found to contain key provisions noted within insurance companies. The Bylaws may be amended or repealed, or new Bylaws may be drafted and adopted, by a majority vote of the Members present at any regular or called meeting of the Company. There were no amendments to the Bylaws during the period of examination.

Corporate Records

The minutes provided a brief summary of the actions of the Company's Board. Attachments and exhibits provided to the Board were maintained with the minutes. During the period of examination, there were ten (10) regular Board meetings, one (1) special meeting of the Board, and five (5) annual meetings of Members. Minutes of the referenced meetings were reviewed. Investment transactions were approved by the Executive Committee pursuant to Tenn. Code Ann. § 56-3-408(b)(1).

During the period of examination, the Company did not maintain Executive Committee meeting minutes. This issue is further discussed in the "Comments and Recommendations" section of this examination report.

Safekeeping Agreement

SunTrust Bank provided custodial services since May 8, 2013. The Company's safekeeping agreement, in effect as of December 31, 2013, did not exhibit language compliant with Tenn. Comp. R. & Regs. 0780-01-46 (revised effective May 26, 2013). This issue is further discussed in the "Subsequent Events" section of this examination report.

Investment Brokerage Services

The firm of Edward Jones provides investment brokerage and advisory services.

Financial and Tax Preparation Services

Warren and Tallent, PLLC provides accounting services related to regulatory filings, including preparation of statutory annual statements and federal income tax filings.

FIDELITY BONDS AND OTHER INSURANCE

Professional Liability Policy and Directors & Officers

The Company did not acquire directors and officers professional liability insurance coverage during the period of examination. The minimum range recommended by the NAIC for a Company of this size is $400,000 to $450,000. Therefore, the Company did not have the minimum amount of fidelity coverage recommended for the protection of the Company's policyholders. This issue is discussed further in the "Subsequent Events" section of this examination report.

Commercial General Liability and Business Owners Property Policy

The Company's combination Commercial General Liability and Business Owners Property coverage was underwritten by Erie Insurance Exchange, of Erie, Pennsylvania. The policy's commercial general liability limits of insurance were $2,000,000 for general aggregate and products-completed operations aggregate limit, $1,000,000 for personal and advertising injury limit, and $5,000 medical payments (any one person).

The policy's business owners property insurance limits were building (replacement cost) $246,000, business personal property $22,830, and employee dishonesty $40,000.

The Company's commercial general liability and business owners property policy was underwritten by Erie Insurance Exchange, which operates as a licensed reciprocal in the State of Tennessee.

TERRITORY AND PLAN OF OPERATION

The current Certificate of Authority was issued to the Company on January 20, 2009, and authorized the transaction of the business of fire, lightning, hail, extended coverage, and tornado in the State of Tennessee. The Certificate of Authority is valid until suspended or revoked and allows the Company to transact business operations to all counties contiguous to Monroe County to the third degree in the State of Tennessee pursuant to Tenn. Code Ann. § 56-22-106(f)(1).

The Company writes policies in Blount, Bradley, Loudon, McMinn, Meigs, Monroe, Polk, Rhea and Roane Counties in Tennessee.

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company provides its Members coverage on dwelling homes, rental homes, modular homes, mobile homes, farm buildings, livestock, personal property, farm machinery and churches in case of loss due to fire, wind, hail, lightning, and theft.

Policies are typically written for eighty percent (80%) of the replacement value of the property insured; subject to policy limits of $100,000.00 per specific loss. The policy period for each policy is five (5) years. Premiums are paid annually and are due on the policy anniversary date. The standard deductible is $250, and applies separately to each specific item listed on the policy. The aggregate amount deducted from loss for any one (1) occurrence shall not exceed $500.

The Company offered four (4) different types of liability policies through Farmers Mutual of Tennessee (Knoxville, TN): 1) Personal Liability Coverage; 2) Commercial Liability Coverage (Premises Only- Landlords); 3) Farm Personal Liability Coverage, and; 4) Farm Employee Liability Coverage.

The Company writes business through three (3) licensed, in-house agents. These agents receive commission of $2.50 per thousand dollars of coverage written for all new and renewal business.

The Company's agents perform a visual inspection of the property, photograph the property, and determine the value of the property prior to the issuance of a policy. The Company's Executive Committee approves or rejects all policy applications prepared by the agents. Upon the signing of the completed application by two (2) of the Company's officers and collection of the initial billed premium, the policy is bound. The policy is issued upon the signature of the President and Secretary and then mailed to the customer.

GROWTH OF COMPANY

The following comparative data reflects the growth of the Company for the period under review:

Year	Premiums Earned	Net Incurred Losses	Admitted Assets	Liabilities	Policyholders' Surplus	Net Income
2013	$637,462	$374,389	$5,072,131	$359,806	$4,712,325	$133,779
2012	$672,632	$544,527	$5,440,272	$349,286	$5,090,986	($6,835)
2011	$572,601	$669,543	$5,481,211	$383,925	$5,097,286	($187,594)
2010	$551,572	$446,323	$5,842,108	$337,572	$5,427,724	($24,823)
2009	$698,704	$434,079	$5,880,396	$389,383	$5,491,013	$122,337

LOSS EXPERIENCE

The following comparative data reflects the loss experience of the Company for the period under review:

Year	Premiums Earned	Incurred Losses & LAE	Underwriting Ratio	General & Adm. Expense	Gen. & Adm. Expense to Premium	Combined Ratio
2013	$637,462	$374,389	59.23%	$202,333	31.74%	90.97%
2012	$672,632	$544,527	81.80%	$222,611	33.10%	114.89%
2011	$572,601	$669,543	118.92%	$216,725	37.85%	156.77%
2010	$551,572	$446,323	79.92%	$228,442	41.42%	121.34%
2009	$698,704	$434,079	62.93%	$215,502	30.84%	93.77%

ACCOUNTS AND RECORDS

The Company accounts for its business on a cash basis, using a computer-generated general ledger and trial balance. Using source documents and various electronic and hand written subsidiary ledgers, (e.g., cash receipts, cash disbursements and policy files), the Company makes manual entries to their Annual Statements in order to report balance sheet and income statement items on a statutory accrual basis.

The Company's general ledger and annual statements reflected variances from generally accepted insurance accounting practices as prescribed by the NAIC, Tennessee county mutual annual statement instructions, and Tennessee Statutes and Rules. Examination findings are noted below or otherwise commented upon in the section marked "Comments and Recommendations."

In light of the Company's accounting system deficiencies and limited segregation of duties, the Examiner performed tests and audit procedures that were considered necessary to verify the balance sheet and income statement item balances as of year-end 2013; including substantial verification of supporting documentation.

The 2013 Annual Statement originally submitted to the TDCI was amended and resubmitted twice due to errors, omissions, and non-admission of bond investments held without a statutorily compliant safekeeping agreement.

The Company was exempt from filing an annual audited financial statement per Tenn. Comp. R. & Regs., 0780-1-78-.04(3).

The Company was exempt from filing a Risk Based Capital (RBC) Report, pursuant to Tenn. Code Ann. § 56-46-110.

The Company was exempt from filing an actuarial opinion by a qualified actuary with their Annual Statement with the Commissioner on or before March 1, pursuant to Tenn. Comp. R. & Regs., 0780-1-78-.04(4).

STATUTORY DEPOSIT

During the period of examination, the Company was not required to make a statutory deposit in accordance with Tenn. Code Ann. § 56-2-112.

COMMITMENTS AND CONTINGENCIES

No financially material commitments and contingencies were found that would materially affect the Company's financial position or operating results as of December 31, 2013.

REINSURANCE

Specific and Aggregate Excess of Loss Reinsurance

Effective January 1, 2013, the Company ceded risk through an Excess of Loss Reinsurance Agreement with Farmers Mutual of Tennessee, headquartered in Knoxville, Tennessee, as follows:

Type:	Combination Per Risk/Aggregate Excess of Loss
Coverage:	Section I – Property Risk Excess of Loss: covers each loss in excess of the Company's $75,000 maximum retention up to the reinsurer's $75,000 each risk, each occurrence.
	Section II – Aggregate Excess of Loss: The reinsurer shall not be liable for any loss hereunder until the Company's ultimate net loss in the aggregate for each calendar year exceeds the greater of (a) seventy-five percent (75%) of the Company's gross net earned premium income or (b) $400,000 and then the reinsurer shall be liable for one hundred percent (100%) of the Company's ultimate net loss in excess of that amount, but the reinsurer's liability for each calendar year shall not exceed one hundred percent (100%) or the lesser of (a) one hundred percent (100%) of the Company gross net earned premium income or (b) $750,000. The agreement provides that recoveries under Part 1 shall inure to the benefit of Part 2
Type:	Second Aggregate Excess of Loss
Coverage:	The reinsurer shall not be liable for any loss hereunder until the Company's ultimate net loss in the aggregate for each calendar year exceeds the greater of seventy-five percent (75%) of the Company's gross net earned premium income or $400,000 plus the lesser of one hundred percent (100%) of the Company's gross net earned premium income or $750,000 and then the reinsurer shall be liable for one hundred percent (100%) of the Company's ultimate net loss in excess of the greater of seventy-five percent (75%) of the gross net earned premium income or $400,000, but the reinsurer's liability shall not exceed one hundred percent (100%) of the lesser of three hundred fifty percent (350%) of the Company's gross net premium income or $2,500,000 in the aggregate.

During the period of examination, the maximum amount of coverage the Company was allowed to retain for a single risk was $100,000 in accordance with Tenn. Code Ann. § 56-22-106(c)(1).

The reinsurance agreement in effect as of December 31, 2013, did not require approval by the TDCI pursuant to Tenn. Code Ann. § 56-11-106. The agreement contained acceptable provisions of reporting responsibility of the ceding entity, payment terms, premium taxes, termination clauses, and ceding clauses. The agreement transferred risk in accordance with SSAP Number 62 and NAIC guidelines.

MARKET CONDUCT ACTIVITIES

In conjunction with this examination, a market conduct review was made of the Company, as of December 31, 2013. The following areas were addressed:

Policy Forms and Underwriting Practices

Pursuant to Tenn. Code Ann. § 56-22-109(b)(1) and Tenn. Code Ann. § 56-5-303, 304 and 305, the Company's policy forms and premium rates in effect from January 1, 2012, through December 31, 2013, were approved by the TDCI on November 2, 2011, and June 8, 2012. The Company's application, policy form, and premium rates in effect from January 1, 2009 through December 31, 2011, were approved by the Policy Analysis Section of the TDCI on December 6, 2006, and December 14, 2006.

The Company's rating structure in effect as of December 31, 2013, is summarized below.

Type of Coverage	Rate Per $1,000
Dwelling and Contents (under $50,000)	$8.00
Dwelling and Contents (over $50,000)	$7.00
Double Wide Mobile Homes (under $50,000 with perm. foundation)	$8.00
Double Wide Mobile Homes (over $50,000 with perm. foundation)	$7.00
Double Wide Mobile Homes (without permanent foundation)	$14.00
Single Wide Mobile Homes	$14.00
Cabin and Contents	$14.00
Church Building and Contents (under $50,000)	$8.00
Church Building and Contents (over $50,000)	$7.00
Farm Buildings (Barns)	$8.00
Contents of Barns	$8.00
Farm Equipment	$8.00
Shops and Contents	$8.00
Tractors and Motorized Equipment	$8.00
Storage Buildings and Contents	$8.00
Machinery and Tools	$8.00
Livestock*	$8.00
Hay, Feed and Grain in Barns	$8.00

*Registered animals may be insured individually, in an amount approved by the Company. Livestock may be insured individually, in groups or by class. Loss of animals insured by group or by class shall not exceed the value of the animal at the time of loss; nor shall it exceed the amount per head specified in the policy for the group or class.

If certain underwriting requirements are met, the Company will insure an unoccupied vacation home or cabin. In most cases, once a dwelling or mobile home insured by the Company becomes vacant or unoccupied during the policy in-force period, the Company will exercise its right to cancel the policy.

Advertising

The Company's advertising during the period of examination consisted of a billboard located on the Company's office building, calendars distributed to the general public, local newspaper advertisements, and advertisements placed in the local phone book and other publications. The advertising material reviewed was found to be in compliance with Tenn. Code Ann. § 56-8-104(1) and Tenn. Code Ann. § 56-8-104(2).

Policy Cancellation

The Company mails a premium notice to its Members thirty (30) days before the due date. A late payment notice is sent to the Member at the close of business on the date premium is due. A late payment notice is also sent to any lienholder(s) listed on the policy. A cancellation notice is sent to the Member and lienholder(s) ten (10) days after the premium due date. If the premium payment is made during the ten (10) day grace period, the Company will pay any legitimate claim, after deducting the premium for the policy. The Company charges a $50.00 reinstatement fee on any policy cancelled for a period of less than one (1) year. See "Comments and Recommendations" section of this report.

The Company adheres to the non-renewal provisions contained in Tenn. Code Ann. § 56-7-1901 and Tenn. Code Ann. § 56-7-1902, in accordance with Tenn. Code Ann. § 56-22-109(b)(2) (effective January 1, 2007), that relate to the notice of intention to non-renew and the reason(s) for non-renewal.

Privacy of Non-Public Personal Information

The Company's policy for the disclosure of non-public personal information was reviewed. There were no instances noted of non-compliance with Tenn. Comp. R. & Regs. R. 0780-01-72, "Privacy of Consumer Information Regulations."

Claims Review

All claims open and unpaid, as of the examination date, and a random sample of claims closed during 2013, were examined for compliance with Company's policy terms and Tenn. Code Ann. § 56-8-105.

The Company's Vice President adjusted all claims tested. Tested claims were handled properly, in accordance with policy provisions and applicable statutes.

FINANCIAL STATEMENTS

There follows a balance sheet, a statement of operations and surplus balance as of December 31, 2013, for the period under review, as established by this examination:

ASSETS

Bonds and Long-Term Certificates of Deposit	$4,863,578
Preferred stocks	150,000
Real estate (properties occupied by the company)	252,821
Cash and cash equivalents	302,773
Federal Income Tax Recoverable	12,889
Furniture, equipment and supplies	1,624
Electronic data processing equipment and software	2,446
Gross assets	5,586,730
Furniture, equipment and supplies	(1,624)
Non-admitted assets due to investment limitation**	(512,975)
Total assets non-admitted	(514,599)
Total admitted assets	$5,072,131

** The Company held bonds in a bank without a custody agreement that met the requirements of Tenn. Comp. R. & Regs., Ch. 0780-01-46. At the request of the TDCI, the Company submitted an amended 2013 Annual Statement showing these bond investments as non-admitted assets on the balance sheet.

LIABILITIES, SURPLUS AND OTHER FUNDS

Gross losses and claims reported, unpaid	$3,439
Loss adjustment expenses	75
Unearned premiums	263,858
Advance premiums	76,220
Ceded reinsurance premiums payable	16,000
Account payable and accrued expense payable	214
Total Liabilities	359,806
Policyholders surplus	4,712,325
Total liabilities and policyholders surplus	$ 5,072,131

STATEMENT OF INCOME

UNDERWRITING INCOME	
Net premiums and assessments earned	$637,462
DEDUCTIONS:	
Net losses incurred	374,389
Loss expenses incurred including claims adjustment expenses	3,167
Other underwriting expenses incurred:	
Commissions and brokerage:	
Agents compensation and allowances	58,444
Salaries and related items:	
Employees' salaries	26,933
Directors' and officers' salaries	51,600
Payroll taxes	9,822
Total salaries and related items	88,355
Directors fees	2,800
Advertising and subscriptions	4,513
Boards, bureaus and association dues	1,002
Employee relations and welfare	121
Insurance and fidelity bonds	935
Travel and travel items	462
Rent and rent items	17,000
Equipment	535
Cost or depreciation of EDP equipment and software	2,446
Printing and stationery	1,624
Postage, telephone and telegraph	3,876
Legal and auditing fees	915
Taxes, licenses and fees:	
State and local insurance taxes	9,170
Insurance department licenses and fees	195
Total taxes, licenses and fees	9,365
Real estate expenses and repairs	2,109
Real estate taxes	2,010
Aggregate write-ins for underwriting expenses	5,823
Total underwriting expenses incurred	202,333
Total underwriting deductions	579,889
Net underwriting gain or (loss)	57,573

INVESTMENT INCOME	
Net investment income earned	111,316
Net realized capital gains or (losses) from sale or maturity of assets	0
Net investment gain or (loss)	111,316
OTHER INCOME	
Aggregate write-ins for miscellaneous income	30
Total other income	30
Dividends to policyholders	0
Net income after dividends to policyholders and before federal income taxes	168,991
Federal income taxes incurred	35,140
Net income	$133,779
CAPITAL AND SURPLUS ACCOUNT	
Surplus as regards policyholders, December 31 prior year	$5,090,986
Net income	133,779
Change in net unrealized capital gains (losses)	0
Change in non-admitted assets from prior year	(512,440)
Cumulative effect of changes in accounting principles	0
Aggregate write-ins for gains and losses in surplus (examination adjustment)	0
Policyholders' surplus as of December 31, 2013	$4,712,325

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Minor differences were found with various balance sheet and income statement items; none were considered to produce a material effect on surplus.

SUBSEQUENT EVENTS

(1) The Company amended its Safekeeping Agreement with SunTrust Bank in order to meet the requirements of Tenn. Comp. R. & Regs. 0780-01-46 (revised effective May 26, 2013). The Amendment To Safekeeping Agreement was effective February 4, 2015.

(2) Effective September 24, 2014, the Company acquired directors and officers professional liability insurance coverage from NAMIC Insurance Company, Inc. of Indianapolis, Indiana. The policy has an occurrence/aggregate limit of $1,000,000 and a $20,000 retention. The policy provides the Company fidelity coverage that exceeded the minimum fidelity coverage recommended by the NAIC for a company of this size.

(3) The Company and Automated Insurance Management Systems (AIMS) entered into an agreement to provide policy management and premium accounting software and support. This agreement was signed by AIMS and the Company on February 24, 2014, and April 10, 2014, respectively.

(4) The Company developed a statement of ethical principles that was signed by all of the Company's directors, officers and employees in 2014.

(5) Victor Dale Patterson died in May 2014. At the time of his death, he was an active agent and Board member of the Company. The Company hired N & C Claims Service to perform property inspections for new and renewal policies due to the death of Mr. Patterson.

(6) In January 2014, the Company hired an employee to perform the duties of a customer service representative, bookkeeper, and insurance agent.

COMMENTS AND RECOMMENDATIONS

COMMENTS

(1) Accounts and Records

The Company accounted for its assets, liabilities, income, and disbursements using a business software package during the five (5) year period under examination. During the examination, it was determined that the computer-generated 2013 statutory trial balance and 2013 electronically produced general ledger were not completely accurate. In several instances, the asset, liability, income, and expense totals shown on the Company's 2013 General Ledger and 2013 Trial Balance could not be traced to the Company's 2013 Annual Statement. In some cases, there were no account entries in the 2013 general ledger showing year-end 2013 account balances. In a few cases, the Company reported a liability or expense total in its 2013 Annual Statement that did not have a corresponding account established in its 2013 General Ledger and 2013 Trial Balance. The Company made no adjusting journal entries to the general ledger or trial balance in order to account for 2013 Annual Statement totals on a statutory basis.

Policies and procedures should be implemented to strengthen the Company's accounting system in order to produce a general ledger and trial balance that completely reconciles to the Company's Annual Statement.

(2) Management and Control

(a) During the period under examination, the Company did not maintain Executive Committee meeting minutes. Article VI, Section 3 of the Company's Bylaws require the Company's Secretary to "keep a complete and accurate record of all transactions of the Company..." The Executive Committee, with the consent of the Board, made important business decisions, including the purchase and redemption of specific bonds and certificates of deposit, the issuance and cancelation of insurance policies, the payment or denial of reported claims, and the engagement of third parties to provide services and equipment.

(b) The Bylaws specify a quorum for the transaction of business at a Member meeting consists of ten percent (10%) of the membership or fifteen (15) Members, whichever is less. The affirmative vote of a quorum shall be necessary to ratify any action. Based on Member meeting records, it appears very few Members, other than Directors, attend the annual Member meeting. The February 7, 2009 membership meeting minutes reflected the attendance of twelve (12) Members. However, the Company's President, John Thompson, declared a quorum was present.

(c) The Members at the annual meeting on February 7, 2009, voted to reduce the number of Directors from fifteen (15) to eleven (11) Directors. However, the Company has not amended Article V – Section 1 of the Bylaws to record the reduction of the number of required Directors.

(d) The Members at the annual meeting on February 7, 2009, voted to change the membership meeting date from the first Saturday to the last Saturday in February, in order to review and approve the annual financial statement to be submitted to the TDCI on March 1. However, the Company has not amended the first paragraph in Article IV of the Bylaws to reflect the Member meeting date change.

Internal controls should be established to allow for timely amendments to the Bylaws and a written record of committee meetings.

RECOMMENDATIONS

(a) The Company did not account for or report the depreciated book value of its office building in accordance with NAIC SSAP – 40 (Real Estate Investments) and the annual statement instructions for Tennessee county mutual insurance companies as follows:

(i) During the period under examination, the Company did not segregate the value of its land and building for depreciation purposes in order to determine adjusted carrying value for the building structure. Therefore, the Company was depreciating the value of its land, as well as its building, for annual statement purposes and internal accounting purposes.

(ii) The Company began using the office building that it constructed on October 1, 2001. However, the Company did not start depreciating its land and building at an annual rate of $7,223 until 2008, as reflected in its 2008 through 2013 Annual Statements. Therefore, the depreciated book value of the land and building shown in the 2008 through 2013 Annual Statements was overstated.

(iii) Additionally, in an effort to "catch up" on depreciating its office building and parking lot, the Company, in its 2008 through 2013 Annual Statements, entered a $17,000 total for depreciation on line 4.11 (Rent & rent items) in the Statement of Income & Policyholders' Surplus Account. However, the depreciated book value of the land and building shown in the 2008 through 2013 Annual Statements was not reduced by the $17,000 amount. As a result, the Company's depreciation expense from 2008 through 2013 was overstated, in the aggregate, by $44,138 based on the Company's estimated useful life of forty (40) years from the October 1, 2001, move in date.

It is recommended that the Company account for and report the depreciated book value of its office building in accordance with NAIC SSAP – 40 (Real Estate Investments), in order to comply with annual statement instructions for Tennessee county mutual insurance companies and Tenn. Code Ann. § 56-22-109(a)(4).

(b) The Company reported the value of its bond investments in its 2013 Annual Statement at market value instead of amortized cost. It is recommended that the Company account for and report the value of its bond investments using amortized cost in accordance with NAIC SSAP # 26, Tenn. Code Ann. § 56-22-109(a)(4) and annual statement instructions for Tennessee county mutual insurance companies.

(c) The Company in its 2008 through 2013 Annual Statement did not report long-term certificates of deposit and bonds purchased on Schedule D – Part 3 Bonds and Stocks Acquired. Also, the Company did not report long-term certificates of deposit that matured or were redeemed on Schedule D – Part 4 Bonds and Stocks Sold During the Year. It is recommended that the Company account for and report the acquisition and disposal of bonds and long-term certificates of deposit pursuant to Tenn. Code Ann. § 56-22-109(a)(4) and annual statement instructions for Tennessee county mutual insurance companies.

(d) The Company did not report any premium receivable in its 2009 through 2013 Annual Statements. It is recommended that the Company report premium receivable as required by Tenn. Code Ann. § 56-22-109(a)(4) and annual statement instructions for Tennessee county mutual insurance companies.

(e) The Company did not report any taxes, licenses, and fees payable in its 2010 through 2013 Annual Statements. It is recommended that the Company report taxes, licenses, and fees payable pursuant to Tenn. Code Ann. § 56-22-109(a)(4) and annual statement instructions for Tennessee county mutual insurance companies.

(f) The Company did not report any interest or dividend income due and accrued in its 2011 through 2013 Annual Statements submitted to the TDCI. It is recommended that the Company report interest income due and accrued pursuant to Tenn. Code Ann. § 56-22-109(a)(4) and annual statement instructions for Tennessee county mutual insurance companies.

(g) As required by Tenn. Code Ann. § 56-22-109(b)(1) and Tenn. Code Ann. § 56-5-303, 304 and 305, it is recommended that the Company file with the TDCI its $50.00 reinstatement fee assessed on any policy cancelled for a period of less than one (1) year.

CONCLUSION

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 Monroe County Mutual Fire Insurance Company of Madisonville, Tennessee.

In such manner, it was determined that, as of December 31, 2013, the Company had admitted assets of $5,072,131 and liabilities, exclusive of policyholders' surplus, of $359,806. Thus, there existed for the additional protection of the policyholders surplus funds of $4,712,325.

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

Respectfully submitted,

James T. Pearce, Jr.

James T. Pearce, Jr.
Insurance Examiner
State of Tennessee

AFFIDAVIT

The undersigned deposes and states that he has duly executed the attached examination report of Monroe County Mutual Fire Insurance Company, as of December 31, 2013, and dated May 5, 2015, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further states he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information, and belief.

James T. Pearce, Jr.

James T. Pearce, Jr.
Insurance Examiner
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 17th day of June, 2015

Notary Helen W. Dorsey

My Commission Expires: 11/06/2017

HELEN W DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

EXHIBIT B

STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

June 17, 2015

CERTIFIED MAIL
7012 1010 0003 2379 5421

Ms. Goldie Mae Brown, Secretary / Treasurer
Monroe County Mutual Fire Insurance Company
442 Main Street
Madisonville, TN 37354

RE: **Report of Examination of Monroe County Mutual Fire Insurance Company**

Dear Ms. Brown:

Enclosed please find a FINAL copy of the Report of Examination for Monroe County Mutual Fire Insurance Company, made as of December 31, 2013. If you are in agreement with the report, please respond immediately, in writing, to that effect. A sample response letter is attached for your convenience. Your response may be submitted via email to my attention at joy.little@tn.gov.

If you wish to make a written submission or rebuttal with respect to any matter contained within the report, pursuant to Tenn. Code Ann. 56-1-411(d)(1), please provide this office with your company's position as soon as possible. When preparing your submission or rebuttal, please quote the Comment, Recommendation or page number from the report and detail your comments, providing any supporting documentation.

Should you have questions, you may reach me at (615) 741-6796. We appreciate your timely assistance with this matter and your courteous cooperation during the examination.

Sincerely,

E. Joy Little, CPA, CFE, MCM
Insurance Examinations Director/Chief Examiner
Enclosure

Monroe County Mutual Fire Insurance Co.
"A County Mutual Insurance Company"
442 Main Street
MADISONVILLE, TENNESSEE 37354
PHONE (423) 442-2916
FAX (423) 442-9611
OFFICE HOURS
8:30 - 4:00 Mon. - Fri.
Closed Saturday

June 17, 2015

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

RE: **Monroe County Mutual Fire Insurance Company**-Report of Examination

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for **Monroe County Mutual Fire Insurance Company.** By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

Goldie M. Brown

Goldie M. Brown

Goldie M. Brown, Secretary/Treasurer

Goldie M. Brown, Secretary/Treasurer