EXHIBIT A

STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT OF EXAMINATION

OF

MIDSOUTH MUTUAL INSURANCE COMPANY

(NAIC #12839)

BRENTWOOD, TENNESSEE

AS OF

DECEMBER 31, 2015

TABLE OF CONTENTS

Brentwood, Tennessee
May 26, 2017

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

Dear Commissioner:

Pursuant to your instructions and in accordance with the 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 condition and affairs of:

MidSouth Mutual Insurance Company
NAIC # 12839
104 Continental Place, Suite 200
Brentwood, Tennessee 37027

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

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or "Department"). The examination commenced on March 6, 2017, and was conducted by duly authorized representatives of the TDCI. This examination was called through the NAIC's Financial Examination Electronic Tracking System (FEETS). There were no requests from other states for a coordinated examination.

SCOPE OF EXAMINATION

The last examination of Road Contractors Mutual Insurance Company (RCMIC) was made as of September 30, 2011. This examination covers the period October 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 examination.

The examination was conducted in accordance with rules and procedures as prescribed by 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, by identifying and assessing inherent risks within the Company, and by evaluating 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; Claims and Reserving; Reinsurance Assumed; Reinsurance Ceded; Related Party; and Capital & 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. 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 market conduct review was also performed concurrently with the financial examination.

The Company's third party administrator (TPA), Brentwood Services Administrators, Inc. (BSA), conducts day-to-day operational services for MMIC, either by BSA employees directly, or by BSA through subservice organizations for medical claim and various case management services. BSA has a Service Organization Controls (SOC) audit performed by an independent accounting firm on claims controls relied upon for processing MMIC claims. The SOC 1 Type 2 report is designed to report on the fairness of the presentation of management's description of the system and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives throughout a specified period. The controls tested in the SOC audit were found to be properly designed and operating effectively.

BSA does not have a SOC audit performed on operational areas other than claims processing. As such, while a review of operational and financial processes and procedures for all areas was performed during the examination, a substantive test work approach was generally taken for areas to determine completeness and accuracy of annual statement financial reporting. Substantive testing for claims was reduced, as deemed appropriate, for partial reliance on the SOC report.

Independent actuaries, Lewis & Ellis, Inc., were utilized for review of the Company's loss reserves.

TaylorChandler LLC, the Company's independent Certified Public Accountant (CPA), audited the Company's statutory financial statements for the years under examination. The CPA's work papers 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 examination included a review to determine the current status of the comments and recommendations included in the previous full-scope report on examination, dated February 19, 2013, which covered the period from November 16, 2006, through September 30, 2011. The previous full-scope examination report as of September 30, 2011, contained no comments or recommendations.

COMPANY HISTORY

RCMIC was chartered on February 21, 2006, under the Tennessee Mutual Insurance Company Act. Effective December 20, 2006, RCMIC received a certificate of authority to operate as a Tennessee domiciled property/casualty insurance company.

On or about November 16, 2006, RCMIC received cash and marketable securities of $3,500,000 from the Tennessee Road Builders Association Self-Insured Trust (TRBA-SIT) in exchange for a permanent guaranty capital certificate, (TRBA-SIT PGC). TRBA-SIT's interest in the TRBA-SIT PGC is that of a creditor. TRBA-SIT's original contribution is subordinate in all respects and TRBA-SIT's redemption is subject to approval by the Tennessee Commissioner of Commerce and Insurance ("Commissioner"). The TRBA-SIT PGC is non-interest bearing and non-assignable.

Effective January 1, 2007, TRBA-SIT and RCMIC entered into a Self-Insurance Loss Portfolio Transfer Agreement which provides for one hundred percent (100%) of the liabilities and obligations for workers' compensation and employers' liability losses of TRBA-SIT, pooled between June 1, 1994, and December 31, 2006, to be transferred to RCMIC along with certain assets of TRBA-SIT.

On February 28, 2009, RCMIC received $350,000 from TRBA-SIT and issued a promissory note to TRBA-SIT. TRBA-SIT received a principal payment of $35,000 from RCMIC in June 2012, and another principal payment of $12,235 from RCMIC in 2011. Pursuant to the winding down of the business of the TRBA-SIT, RCMIC paid the remaining balance due to TRBA-SIT of $302,765 as well as interest of $4,023, the TRBA-SIT paid off all outstanding amounts due to third parties and the TRBA-SIT invested all of its remaining net assets including its remaining statutory deposit of $150,000 in exchange for a second TRBA-SIT PGC totaling $403,483 issued June 30, 2012, by RCMIC.

On or before December 31, 2012, RCMIC and TRBA-SIT entered into an Assignment and Assumption Agreement which assigned to RCMIC as successor fiduciary the TRBA-SIT PGC certificates totaling $3,903,483 ($3,500,000 plus $403,483) and the TRBA-SIT direct obligations to its members for all direct undertakings of the TRBA-SIT and the assessment rights against members of the Pool under the Indemnity Agreement between TRBA-SIT and its members. Immediately following the Assignment, TRBA-SIT terminated its operations and existence effective December 31, 2012.

Home Builders Mutual Insurance Company (HBMIC and later known as Mid South Mutual Insurance Company) was chartered under the Tennessee Mutual Insurance Company Act effective September 13, 2012. Effective December 7, 2012, HBMIC received its certificate of authority to operate as a Tennessee domiciled property/casualty insurance company.

On November 15, 2012, HBMIC issued a permanent guarantee capital certificate (HBATSIT PGC) in the amount of $6,000,000 to the Home Builders Association of Tennessee Self-Insured Trust (HBATSIT) in exchange for cash. On May 13, 2013, HBMIC changed its name to Mid South Mutual Insurance Company ("Old MSMIC").

In December 2012, Old MSMIC and HBATSIT entered into a Loss Portfolio Transfer agreement providing for the transfer of insurance liabilities from HBATSIT to Old MSMIC in exchange for cash. HBATSIT's interest in the HBATSIT PGC is that of a creditor. HBATSIT original contribution is subordinate in all respects and HBATSIT's redemption is subject to approval by the Commissioner. The HBATSIT PGC is non-interest bearing and is assignable only with the prior approval of the TDCI. Old MSMIC's obligations under the HBATSIT PGC were assigned to the Company in connection with the Master Transaction Agreement (MTA) and the loss portfolio agreement.

On December 30, 2014, the members of Old MSMIC acquired control of the Company (then named RCMIC) pursuant to and in accordance with a MTA. The MTA provided for the acquisition of control pursuant to its own terms and through an Assumption and Novation Agreement and a Loss Portfolio Transfer Agreement. The transaction was approved by the TDCI on December 23, 2014, in an Order Approving the Transaction, as well as an Agreed Order between the Company and Old MSMIC, which was approved by the Commissioner that same day. In connection with this transaction, the Company's name was changed from RCMIC to MidSouth Mutual Insurance Company. Old MSMIC's name was changed to Old MidSouth, Inc. and it surrendered its insurance company certificate of authority.

The Company also assumed Old MSMIC's insurance liabilities pursuant to a Self-Insurance Loss Portfolio Transfer Agreement, effective as of December 30, 2014 (including 100% of the liabilities and obligations for workers' compensation and employer liability losses of HBATSIT, pooled between 1995 and December 31, 2012).

Related to the loss portfolio agreements discussed throughout this section, the financial statements reflect a payable due to prior members over the years on behalf of the following entities, which represent retroactive reinsurance reserves assumed in conjunction with the loss portfolio transfers agreements:

	2015	2014	2013	2012	2011
TRBA-SIT	$710,410	$860,397	$805,863	$1,024,130	$1,408,815
HBATSIT	$2,011,588	$2,979,172			
Old MSMIC	$1,445,365	$2,554,524			

The Company allocates surplus to each of the permanent guarantee capital certificates discussed throughout this section. Annual statements reflect the following amounts over the years under examination as other-than-special surplus funds:

	2015	2014	2013	2012	2011
TRBA-SIT PGC	$3,909,483	$3,903,483	$3,903,483	$3,903,483	$3,500,000
HBATSIT PGC	$6,000,000	$6,000,000			
Gain from development of HBATSIT LPT	$1,481,727	$1,131,727			

The MTA requires the TRBA-SIT PGC account to be reduced for any net loss sustained on the related block of business at the end of seven (7) years. In the event any net gain is earned on this block of business as of the fifth and seventh anniversaries of the MTA effective date, fifty percent (50%) is to be allocated to the TRBA-SIT PGC account, and fifty percent (50%) is to be allocated to all other capital accounts in existence on the anniversary dates. On the fifth anniversary of the MTA, the Company is required to file a request with the TDCI, and upon TDCI approval of such request, distribute a cash dividend or premium credit in the amount of eighty percent (80%) of the positive capital account balance to the owners of such accounts and/or TRBA-SIT member employers. On the seventh anniversary of the MTA, the Company is required to file a request with the TDCI, and upon TDCI approval of such request, distribute a cash dividend or premium credit in the net amount of the positive capital account balance then remaining to the owners of such capital accounts and/or TRBA-SIT member employers.

The HBATSIT and HBMIC Agreed Order (AO) requires that, not earlier than the fifth anniversary of the effective date of the AO, any net profits from the Loss Portfolio Transfer agreement that emerge over time should be accounted for on the books of the Company as additional guaranty capital invested by the HBATSIT in the Company. The AO does not include payout requirements for the PGC, but as long as there is a balance outstanding, the Company must report to the Commissioner all dividends, distributions, refunds, and premium credits to the Company's policyholders or to the HBATSIT, to be paid or made out of the Company's surplus, within five (5) business days following the declaration thereof, and at least thirty (30) days prior to their payment. Payment may only be made if the Commissioner has approved or has not disapproved such dividend, distribution refund, or premium credit within the thirty (30) day period.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The Company's Amended and Restated Bylaws state that all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Company managed under the direction of, the Board of Directors ("Board"). The Board may delegate the management of the day-to-day operation of the business of the Company to a management company or other person, provided that the business and affairs of the Company shall be managed, and all corporate power shall be exercised, under the ultimate direction of the Board. The Bylaws state that the number of directors shall consist of no fewer than three (3) nor more than fifteen (15) directors. All directors shall be employees, officers, or directors of member companies of the Company.

The following is a listing of persons serving as directors on the Board at December 31, 2015:

Name	Principal Occupation
James Ronald Carbine	President, Carbine & Associates, LLC
Donald Glen Chambers	President, LoJac
John Benjamin Downey, Jr.	Self Employed Real Estate
Richard Welken Graf*	President, R. W. Graf, Inc.
Robert Neil Hutcheson	President, Sessions Paving Company
Tonya Gale Jones	Owner, Legacy Project Resources, LLC
Donald Edward Moon*	Principal, Don Moon Building & Developing
Charles Oscar Morgan, Jr.*	CEO, Vintage Homes LLC, Inc.
Steven Daryl Wright	President, Wright Brothers Construction Co. Inc.

*Donald Moon resigned as Board member as noted in the May 19, 2016 Board minutes. The resignation effective date was not disclosed. Charles Morgan, Jr. resigned as Board member effective August 16, 2016. Richard Graf resigned as Board member, effective March 3, 2017. Darryl Ray McCubbin was appointed to the Board on March 15, 2017. Mr. McCubbin's principal occupation is Senior Managing Director, ReCap Advisors, Inc.

Officers

The Company's Bylaws provide that the officers of the Company shall be elected annually by the Board and shall consist of a Chairman of the Board, President, Secretary, Treasurer, and such other officers as may from time-to-time be appointed by the Board. During the examination period, there was no indication that a Chairman had been elected to the Board as required by the Bylaws. See "Comments and Recommendations" section later in this report.

The following is a list of key officers and their respective titles as of December 31, 2015:

Name	Office
John Benjamin Downey, Jr.	President
James Ronald Carbine	Secretary/Treasurer

The day-to-day insurance operations of the Company are performed by staff employed by its TPA, BSA. These services are provided to the Company under the terms of a TPA agreement between the Company and BSA, as described in this report under the heading "Management Services Agreement." Certain services are purchased from outside contractors, if needed and not available from in-house personnel. Such services include actuarial analysis and independent audit.

Company officers have limited involvement in day-to-day operations. Oversight of BSA management activities is provided primarily by the Board at the annual and periodic special meetings. Company officers are also Directors on the Board.

CONTROL

As a mutual company, the Company is controlled by its members.

CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

The Company established a Code of Conduct and a Conflict of Interest policy for its directors and officers to attest to compliance with Tenn. Code Ann. § 56-3-103, prohibiting officers and directors from having pecuniary interest in investment or disposition of Company funds.

No conflicts of interest were noted from the certifications reviewed, although the Company failed to obtain certifications for the Code of Conduct and Conflict of Interest Policy from directors and officers in years 2013 and 2014. See "Comments and Recommendations" section later in this report.

DIVIDENDS

During the period of examination, the Company did not declare or 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.

Charter

The Charter of the Company in effect as of December 31, 2015, is the Original Charter of RCMIC which was filed with the Secretary of State on February 21, 2006. The Charter states the Company is a not-for-profit mutual insurer. This Charter was amended in December 2014 to change the name of the Company to its current name, change the address of the registered office and principal office, change the name of the registered agent, and to add two (2) new sections, Section 14 relating to a quorum of the membership and Section 15 relating to dissolution of the Company.

Bylaws

The Bylaws of the Company in effect as of December 31, 2015, are the Company's Amended and Restated Bylaws, which were adopted by the Board on December 30, 2014. No other amendments or restatements were made to the Bylaws during the period of examination.

The Bylaws are such as are generally found in companies 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.

AGREEMENT WITH PARENT, SUBSIDIARIES, AND AFFILIATES

The Company is not a member of a holding company system, and as such, does not have a parent, subsidiaries, or affiliates. As a mutual insurance company, the Company is owned by its members. The Company has Permanent Guarantee Certificates reported as surplus and related Loss Portfolio Transfers reported as liabilities that resulted from merger and acquisition activity occurring during the examination period. Prior members of the self-insured trusts attached to these instruments are beneficiaries of the Permanent Guarantee Certificates. Refer to "Company History" for additional information.

Management Services Agreement

Effective January 1, 2007, the Company entered into a TPA agreement with BSA to conduct the day-to-day operations of the Company. In conjunction with the acquisition of control of the Company by Old MSMIC (formally known as Home Builders Mutual Insurance Company), the TPA agreement between Old MSMIC and BSA was assigned to and assumed by the Company. Pursuant to the TPA agreement, BSA agrees to provide the Company with claims services, loss control services, marketing and marketing assistance services, account management services, and provide or cause to be provided by an affiliate reinsurance intermediary and insurance brokerage services. The original agreement was entered into effective December 13, 2012, and is set to expire January 1, 2019.

The TPA agreement provides for an annual service fee, as well as fees for the provision of medical cost containment services (which includes medical, pharmaceutical, and durable medical equipment bill review services; case management and utilization review services; and PPO network access services) and other ancillary cost containment services. Service fees are based on yearly written premiums, and certain cost containment services fees are based on savings realized. During the year ending December 31, 2015, the Company incurred service fees to BSA totaling $777,715, and cost containment services fees of $342,504.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains directors and officers liability insurance but does not maintain a fidelity bond or any other types of insurance. Its TPA, BSA, is required pursuant to the management services agreement to maintain for itself a fidelity bond and errors and omissions insurance coverage.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company has no employees and does not participate in any pension plans.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2015, the Company was licensed to transact business in the following seven (7) states:

Alabama	Kentucky
Arkansas	Mississippi
Georgia	North Carolina
Tennessee	

The Certificates of Authority for each jurisdiction were reviewed and found to be in order.

The Company primarily concentrated its marketing efforts in Tennessee, and began expanding into the other six (6) states in 2015.

Direct premiums written in 2015, according to Schedule T of the annual statement follows:

SCHEDULE T – PREMIUMS

State	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred	Direct Losses Unpaid
Alabama	$48,226	$8,904			
Arkansas	7,811	4,541			
Georgia	340,424	35,622			
Kentucky	11,625	214	$6,115	($12,369)	
Mississippi	51,676	7,459			
North Carolina	68,197	3,810			
Tennessee	5,978,743	5,744,210	1,702,724	2,426,993	$6,695,758
Total	$6,506,702	$5,804,760	$1,708,839	$2,414,624	$6,695,758

The Company was licensed in each state listed.

PLAN OF OPERATION

The Company's primary product is workers' compensation and employer liability coverages. The Company markets its products through independent agents and producers.

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	Net Underwriting Gain (Loss)
2015	$22,331,873	$12,054,789	$10,277,086	($322,583)
2014	$21,460,711	$11,408,284	$10,052,427	$560,499
2013	$8,644,255	$5,631,572	$3,012,683	($1,117,550)
2012	$9,535,678	$6,084,270	$3,451,408	($1,176,223)
2011	$9,332,479	$5,468,676	$3,863,803	($54,956)

Note: Amounts for years 2015 and 2014 are from MMIC annual statements and years 2013, 2012 and 2011 are from RCMIC annual statements.

Significant fluctuation in losses reported in 2013 and 2012 were primarily due to a small number of large claims. Because the Company maintains high loss retention rates on individual losses, any large losses incurred in any one (1) year can significantly affect operating results. See "Reinsurance Ceded" for further discussion.

LOSS EXPERIENCE

As originally reported in the Company's annual statements filed with the TDCI, the ratios of losses incurred to earned premiums for the period subject to this examination were as follows:

Year	Losses Incurred	LAE Incurred	Premiums Earned	Loss Ratio
2015	$2,672,903	$1,439,115	$5,602,007	73.40%
2014	$1,029,693	$336,351	$2,510,696	54.40%
2013	$2,100,392	$1,100,310	$2,640,802	121.20%
2012	$2,779,550	$949,486	$3,244,818	114.92%
2011	$1,615,111	$780,487	$2,786,887	85.97%

Note: Amounts for years 2015 and 2014 are from MMIC annual statements and years 2013, 2012, and 2011 are from RCMIC annual statements.

As discussed in the previous section, significant fluctuation of losses in 2013 and 2012 were primarily due to a small number of large claims.

REINSURANCE AGREEMENTS

The Company's reinsurance agreements were reviewed and found to contain the standard provisions for arbitration, cancellation, errors and omissions, exclusions, insolvency, offset, settlement, taxes, and termination. The Company's reinsurance agreements transfer risk in accordance with SSAP No. 62 – *Revised Property and Casualty Reinsurance* and NAIC guidelines. The following summary describes the reinsurance agreements in effect, as of December 31, 2015:

REINSURANCE ASSUMED

Tennessee Workers' Compensation Assigned Risk Pool

The Company, as a participating insurance carrier in Tennessee, assumes premiums from the Tennessee Workers' Compensation assigned risk pool. The assigned risk pool was dissolved as of September 30, 2015. As a result of this dissolution, the Company received its pro rata share of the remaining assets of the pool and recorded such proceeds as assumed involuntary risk pool premiums. The Company is responsible for future liabilities as incurred on behalf of the high risk pool and has recorded an off-setting liability.

REINSURANCE CEDED

Workers' Compensation and Employers' Liability Excess of Loss Reinsurance Contract

The Company entered into the above contract effective January 1, 2011, with New York Marine and General Insurance Company (NYMGIC) and expired on January 1, 2012. The contract provides workers' compensation reinsurance coverage in excess of $500,000 ultimate net loss per occurrence, up to a limit of $19,500,000 per occurrence and employers' liability reinsurance coverage in excess of $500,000 ultimate net loss per occurrence, up to a limit of $1,000,000 per occurrence. In addition to the Company's retention, the Company shall be liable for the first $150,000 of ultimate net loss which is the Company's annual aggregate deductible. The annual aggregate deductible is applicable to both the workers' compensation and employers' liability coverages.

The Company entered into a similar contract effective January 1, 2012, with NYMGIC and expired on January 1, 2013. This contract provides the same reinsurance coverage as the prior year contract with the exception that the annual aggregate deductible is $250,000 for each of the workers' compensation and employers' liability coverage.

The Company entered into a similar contract effective January 1, 2013, with NYMGIC and expired on January 1, 2014. This contract provides the same reinsurance coverage as the prior year contract.

The Company entered into a similar contract effective January 1, 2014, with NYMGIC and expired on January 1, 2015. This contract provides workers' compensation reinsurance coverage in excess of $750,000 ultimate net loss per occurrence up to a limit of $19,250,000 per occurrence and employers' liability reinsurance coverage in excess of $750,000 ultimate net loss per occurrence, up to a limit of $1,000,000 per occurrence. In addition to the Company's retention, the Company shall be liable for the first $250,000 of ultimate net loss which is the Company's annual aggregate deductible. The annual aggregate deductible is applicable to both the workers' compensation and employers' liability coverages.

Facultative Certificate of Reinsurance

The Company entered into a facultative reinsurance agreement effective January 1, 2015, with Safety National Casualty Corporation and expired on October 1, 2015, pursuant to endorsement #6 to the agreement. The agreement provides workers' compensation reinsurance coverage of $50,000,000 excess of $1,000,000 each accident and $50,000,000 excess of $1,000,000 each employee for disease and employers liability reinsurance coverage for bodily injury by accident of $1,000,000 in excess of $1,000,000 each accident, bodily injury by disease of $1,000,000 in excess of $1,000,000 policy limit and bodily injury by disease of $1,000,000 in excess of $1,000,000 each employee.

Workers' Compensation and Employers Liability Excess of Loss Reinsurance Contract

The Company entered an excess of loss reinsurance contract effective October 1, 2015, with Safety National Reinsurance and remains in force until January 1, 2017. This contract provides reinsurance coverage of $9,000,000 excess of $1,000,000 of ultimate net loss each loss occurrence and $36,000,000 maximum as respects all loss occurrences during the term of the contract. The Company's ultimate net loss may include liability under workers' compensation and employers' liability, but liability under employers' liability coverage shall be limited to $2,000,000 of the total ultimate net loss for each loss occurrence.

The Company entered into a similar reinsurance contract effective October 1, 2015, with Munich Reinsurance America Inc. and Arch Reinsurance Company, each sharing an equal interest and remains in force until January 1, 2017. The contract provides reinsurance coverage of $10,000,000 excess of $10,000,000 of ultimate net loss each loss occurrence and $20,000,000 maximum as respects all loss occurrences during the term of the contract. MSMIC's ultimate net loss may include liability under workers' compensation and employers' liability, but liability under employers' liability coverage shall be limited to $2,000,000 of the total ultimate net loss for each loss occurrence.

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.

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.

Special Deposits for the Benefit of all Policyholders

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value
Tennessee	Chattanooga TN GO 4.00% Due 11/1/2019 CUSIP # 1623754U0	$126,792	$135,223	$125,000
	Eastside Utility Dist TN Rev 3.50% Due 11/1/2020 CUSIP # 277807EB5	148,874	161,906	150,000
	Gallatin TN Wtr & Swr Rev 4.00% Due 11/1/2017 CUSIP # 363786AJ3	50,137	51,679	50,000
	Jonesborough TN GO 3.125% Due 6/1/2018 CUSIP # 480425JP3	75,941	78,925	75,000
	Knox Cnty TN GO 3.00% Due 4/1/2022 CUSIP # 499512Z20	41,397	42,350	40,000
	Met Gov Nashville TN Rev 2.5% Due 7/1/2022 CUSIP #592098K97	151,600	154,862	150,000
	Oak Ridge TN GO 4.625% Due 6/1/2019 CUSIP #671783NR5	110,510	119,944	110,000
	Tennessee Hsg Dev Agy Rev 4.00% Due 1/1/2016 CUSIP #88045RHZ8	75,000	93,750	75,000
	Tennessee St GO 4.00% Due 9/1/2021 CUSIP # 880451JU2	50,223	51,176	50,000

	Tennessee St Sch Bd Auth 5.544% Due 5/1/2022 CUSIP # 880557S20	150,467	158,570	150,000
	Tullahoma TN Rev 4.375% Due 7/1/2025 CUSIP #8993213N1	125,000	130,971	125,000
	Williamson Cnty TN GO 4.00% Due 5/1/25024 CUSIP # 969871Q54	50,501	53,285	50,000
Subtotal		$1,156,442	$1,232,641	$1,150,000

General Deposits Not for the Benefit of All Policyholders

Jurisdiction	Description of Security	Book/Adjusted Carry Value	Fair Value	Par Value (Dollars)
Georgia	White House TN 3.75% Due 1/1/2017 CUSIP #963863CF0	$85,000	$93,685	$85,000
North Carolina	First American Treasury Obligation Fund	200,000	200,000	200,000
Subtotal		$285,000	$293,695	$285,000
Total Special and General Deposits		$1,441,442	$1,526,336	$1,435,000

Deposits with said jurisdictions or custodians 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 was audited by TaylorChandler LLC (CPA) for 2015, 2014, 2013, 2012, and 2011. The firm was in compliance with this regulation.

CPA Indemnification

The CPA's 2015 engagement letter with the Company contained two indemnification clauses:

1) Third Party Use and Reliance; and
2) Limited Liability and Indemnification.

In addition, the Management Representation Letter signed by the Company for the 2013 audit contained an indemnification clause against liability of the CPA. These indemnification clauses are in violation of Tenn. Comp. R. & Regs. 0780-01-65-.08(1)(b). See "Comments and Recommendations" section, later in this report.

Investments Custodial Agreements

The Company's custodial agreements with First Tennessee Bank and Bank of America did not meet all requirements of Tenn. Comp. R. & Regs. 0780-01-46, Regulations on Custodial Agreements and the Use of Clearing Corporations. Prior to completion of the examination, the Company obtained an addendum to the custodial agreement with First Tennessee Bank that satisfies the requirements of Tenn. Comp. R. & Regs. 0780-01-46. The Company also obtained an addendum to the custodial agreement with Bank of America that satisfies all of the required safeguards, except for one provision. The Company is working with Bank of America to have the remaining safeguard added to the latest addendum. See "Comments and Recommendations" section, later in this report.

During the course of the examination, certain balances were tested and amounts were traced from the Company's trial balance to the annual statement. Immaterial differences were noted due to rounding. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. 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 Brentwood, 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 items were addressed:

Underwriting, Rates and Policy Forms

In the examination of underwriting and rating, Company operations were examined for compliance with National Council on Compensation Insurance (NCCI) guidelines, filed rates and forms, and applicable statutes and rules. In conducting the examination, random samples were selected from Tennessee in-force policies as of December 31, 2015. No issues or concerns were identified as a result of our review.

Complaint Handling Practices

No complaints against the Company were identified for the period under examination.

Advertising

Advertising and sales materials used by the Company were examined for compliance with statutory and rule requirements. Various advertisings were identified during the exam that indicate the Company has been in existence since 1995, although, the Company received its certificate of authority in 2006 and began operations in 2007. See "Comments and Recommendations" section, later in this report.

No other issues or concerns were identified.

Producer Licensing

The Company provided a listing of agents utilized during the period under examination. This listing was compared to a listing of appointed and licensed agents provided by the TDCI. Fifty (50) agents included on the Company's listing were not included in the listing provided by the TDCI. See "Comments and Recommendations" section, later in this report.

Claims Handling Practices

The Company's efficiency of claims 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 approved and resisted by the Company. No issues or concerns were identified.

Antifraud Plan

The Company's antifraud plan was examined to ensure that the plan was updated and included proper guidance for employees in compliance with Tenn. Code Ann. § 56-53-

111. Company operations were also examined for proper implementation of antifraud measures. 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. No issues or concerns were identified.

SUBSEQUENT EVENTS

The Company received a distribution from Reliance Insurance Company (in Liquidation) on February 8, 2016, for $667,684. The distribution received was for claims incurred under the HBATSIT Loss Portfolio Transfer. Historically, the Company recorded a receivable estimated at sixty percent (60%) of the total due from Reliance. This distribution brings the total distribution received to date up to sixty-five percent (65%) of the amount approved by Reliance on a Notice of Determination.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of income 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	$15,343,078		$15,343,078
Common stocks	1,643,601		1,643,601
Cash	3,386,042	$135,613	3,250,429
Investment income due and accrued	209,925		209,925
Uncollected premiums and agents' balances in the course of collection	1,916,691	360,163	1,556,528
Deferred premiums, agents' balances and installments booked but deferred and not yet due	(23,230)		(23,230)
Amounts recoverable from reinsurers	92,240		92,240
Current federal and foreign income tax recoverable and interest thereon	48,871		48,871
Net deferred tax asset	204,177	51,306	152,871
Guaranty funds receivable or on deposit	10,263	10,263	
Aggregate write-ins for other than invested assets:			
IRC Section 847 deposit	187,775	187,775	
Intangible assets - state licensing costs, net of amortization	154,445	154,445	
Prepaid expenses	76,521	76,521	
Special loss discount (ORC SS 847)	57,560		57,560
Rounding	2		2
TOTALS	$23,307,959	$976,086	$22,331,875

LIABILITIES, SURPLUS, AND OTHER FUNDS

Losses		$3,791,112
Loss adjustment expenses		1,415,235
Commissions payable, contingent commissions and other similar charges		171,035
Other expenses		467,155
Taxes, licenses and fees		47,444
Unearned premiums		1,337,823
Advance premiums		255,116
Ceded reinsurance premiums payable		215,445
Amounts withheld or retained by company for account of others		187,069
Aggregate write-ins for liabilities:		
Retroactive reinsurance reserves assumed - HBATSIT		2,011,588
Retroactive reinsurance reserves assumed - Old MSMIC		1,445,365
Retroactive reinsurance reserves assumed - TRBA-SIT		710,402
Total Liabilities		12,054,789
Aggregate write-ins for other-than-special surplus funds	$11,385,211	
Unassigned funds (surplus)	(1,108,125)	
Surplus as regards policyholders		10,277,086
Totals		$22,331,875

STATEMENT OF INCOME

UNDERWRITING INCOME		
Premiums Earned		$5,602,007
Deductions:		
Losses incurred	$2,672,903	
Loss expenses incurred	1,439,115	
Other underwriting expenses incurred	1,812,544	
Miscellaneous adjustment	28	
Total underwriting deductions		5,924,590
Net underwriting loss		(322,583)
INVESTMENT INCOME		
Net investment income earned	393,457	
Net realized capital gains	38,129	
Net investment gain		431,586
OTHER INCOME		
Aggregate write-ins for miscellaneous income	10,585	
Total other income		10,585
Net income before federal income taxes		119,588
Federal income taxes incurred		69,300
Net income		$50,288

CAPITAL AND SURPLUS ACCOUNT

	2015	2014	2013	2012	2011
Surplus as regards policyholders December 31, previous year	$10,052,437	$3,012,690	$3,451,412	$3,863,807	$4,095,154
Net Income	50,288	117,385	(482,908)	(523,935)	(51,034)
Change in net unrealized capital gains or (losses)	(155,554)	(56,888)			
Change in net deferred income taxes	175,618	(215,905)	(31,144)	25,816	4,090
Change in non-admitted assets	(195,703)	63,428	75,330	(317,759)	(240,506)
Surplus adjustments: Paid in				403,483	
Net effect of prior year audit adjustments					56,103
Gain/(loss) from development of loss portfolio transfer – HBATSIT	350,000	1,131,727			
Permanent guaranty capital certificate - HBATSIT		6,000,000			
Net change in capital and surplus for the year	224,649	7,039,747	(438,722)	(412,395)	(231,347)
Surplus as regards policyholders December 31, current year	$10,277,086	$10,052,437	$3,012,690	$3,451,412	$3,863,807

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as a result of this examination.

SUMMARY SCHEDULE FOR CHANGES IN CAPITAL AND SURPLUS

There were no adjustments to capital and surplus as of December 31, 2015, based on the results of this examination.

COMMENTS AND RECOMMENDATIONS

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

Comments

1. The Company failed to obtain certifications for the code of conduct and conflict of interest policy from directors and officers in years 2013 and 2014 of the examination period. It is suggested that the Company implement internal controls designed to ensure certifications are obtained each year from all directors and officers. See "Conflicts of Interest and Pecuniary Interests" for additional information.

2. The Company's custodial agreement with First Tennessee Bank did not meet all requirements of Tenn. Comp. R. & Regs. 0780-01-46. Prior to completion of the examination, the Company prepared an addendum to the agreement that satisfies these requirements. It is suggested that the Company review custodial agreements periodically to ensure they are in compliance with Tennessee requirements. See "Accounts and Records" for additional information.

3. The Company's Bylaws indicate that the officers of the Company include a Chairman. However, the Company's minutes did not indicate election of a Chairman. It is suggested that the Company adhere to their Bylaws or make appropriate revisions to reflect their operations. See "Management and Control" section of this report.

4. The Company's listing of agents utilized during the period under examination included fifty (50) agents that were not included in the listing provided by the TDCI. It is suggested that the Company determine the reason for this discrepancy and provide an updated listing to the TDCI. See "Market Conduct Activities" section of this report.

Recommendations

1. The 2015 engagement letter with the Company's independent CPA contained two (2) indemnification clauses. Additionally, the Management Representation Letter signed by the Company for the 2013 audit contained an indemnification clause against liability of the CPA. Indemnification clauses with the CPA are in violation of Tenn. Comp. R. & Regs. 0780-01-65-.08(1)(b). See "Accounts and Records" for additional information.

   Recommendation: The Company should remove any indemnification clauses from the previous engagement letters and the management representation letter. It is further recommended the Company review CPA documents going forward to ensure indemnification clauses are excluded.

2. The Company's custodial agreement with Bank of America did not meet all requirements of Tenn. Comp. R. & Regs. 0780-01-46. See "Accounts and Records" for additional information.

   Recommendation: The Company should compare custodial agreements annually to the updated requirements to ensure the agreements are properly updated for any requirement changes.

3. Various advertisings were identified during the exam that indicate the Company has been in existence since 1995, although, the Company received its certificate of authority in 2006 and began operations in 2007. See "Market Conduct Activities" for additional information.

   Recommendation: The Company should implement controls to ensure advertising is reviewed to ensure it is factually correct prior to use. Controls should be documented in a manner that allows for audit to ensure they are operating as intended.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in connection with the verification and valuation of assets and the determination of liabilities of MidSouth Mutual Insurance Company.

In such manner, it was found that as of December 31, 2015, the Company had admitted assets of $22,331,873 and liabilities, exclusive of capital and surplus, of $12,054,789. Thus, there existed for the additional protection of the policyholders, the amount of $10,277,086 in the form of permanent guarantee certificates of $11,385,211, and unassigned funds of ($1,108,125).

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, Ryan Havick, CFE, James Williams, CFE, James Burch, CFE, and Michael Nadeau, CFE, AES, Insurance Examiners with the firm Eide Bailly LLP, Fargo, North Dakota, representing the State of Tennessee participated in the work of this examination. Information technology controls review was performed by Jim Hattaway, CFE, Carol Riley, AES, CISA, CGEOT, CRISC, and Victoria Chi, CISA, CISM, CRISC, CGEIT, CRMA, with the firm Noble Consulting Services, Inc., Indianapolis, Indiana. An actuarial review was performed by Gregory S. Wilson, FCAS, MAAA, of the actuarial firm Lewis & Ellis, Inc., Richardson, Texas.

Respectfully submitted,

James Menck, CFE
Examiner-in-Charge
Eide Bailly LLP, representing
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 MidSouth Mutual Insurance Company located in Brentwood, Tennessee, dated May 26, 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 Menck, CFE
Examiner-in-Charge
Eide Bailly LLP
Representing the State of Tennessee

State Texas

County Tarrant

Subscribed to and sworn before me

this 20th day of June, 2017

(NOTARY)

My Commission Expires: ___________

SABRINA E. MENCK
Notary Public, State of Texas
My Commission Expires
October 30, 2018

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of MidSouth Mutual Insurance Company located in Brentwood, Tennessee, dated May 26, 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

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

State Tennessee

County Davidson

Subscribed to and sworn before me

this 22nd 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

MidSouth Mutual
Insurance Company

June 21, 2017

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

RE: Report of Examination – **MidSouth Mutual Insurance Company**

Dear Ms. Little:

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

With regard to the "Recommendations" section of the Report of Examination (page 25), we respectfully submit the following information with regard to actions taken by the Company between May 26, 2017 and the date of this letter responsive to the Recommendations:

1. The Company's independent certified public accountant, TaylorChandler LLC, has executed addenda that deleted the referenced indemnification clauses from its engagement letters for the period 2011 through 2015 so as to comply with the requirements of Tenn. Comp. R. & Regs. 0780-01-65-.08(1)(b).

2. The Company's custodian bank, Bank of America, N.A., has executed an addendum to the Custodial Agreement so as to satisfy all requirements of Tenn. Comp. R. & Regs. 0780-01-46.

[Signature on following page.]

Sincerely,

MidSouth Mutual Insurance Company

John Benjamin Downey, Jr., President