EXHIBIT A

STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

TENNESSEE FORESTRY ASSOCIATION SELECTIVE WORKERS' COMPENSATION GROUP

NASHVILLE, TENNESSEE

AS OF

DECEMBER 31, 2014

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Nashville, Tennessee
November 3, 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 Tennessee Code Annotated ("Tenn. Code Ann.") § 56-1-408 and Tenn. Comp. R. & Regs. 0780-01-54-.20, a full-scope financial examination and a market conduct review, as of December 31, 2014, have been made of the condition and affairs of:

TENNESSEE FORESTRY ASSOCIATION SELECTIVE

WORKERS' COMPENSATION GROUP

2605 Elm Hill Pike, Suite G
Nashville, Tennessee 37214

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

INTRODUCTION

This examination was called by the Tennessee Department of Commerce and Insurance (TDCI or "Department") on April 21, 2017, and on-site examination work commenced on May 22, 2017. The examination was performed by duly authorized representatives of the TDCI.

SCOPE OF EXAMINATION

This examination covers the period from January 1, 2010, to the close of business on December 31, 2014, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of the examination.

The examination of the Group's financial condition was conducted in accordance with guidelines and procedures prescribed by the TDCI, the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook ("Handbook"), and Generally Accepted Accounting Principles (GAAP), as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Group as of December 31, 2014. The examination sought to identify prospective risks by obtaining information about the Group, including its corporate governance, by identifying and assessing inherent risks within the Group, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

A general review was made of the Group's compliance with applicable statutes and regulations. The examination included a review of the December 31, 2014, fiscal year-end audit workpapers prepared by the Group's independent auditor, Shores, Tagman, Butler, & Company, P. A. (STB).

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The examination included a review to determine the current status of the Comments and Recommendations in the previous report on examination, as of December 31, 2009, which covered the period from January 1, 2005, through December 31, 2009. A summary of the Commissioner's directive and the corrective action taken by the Group is discussed below:

Directive #1

The Group was directed to comply with Tenn. Comp. R. & Regs. 0780-01-54.05 by ensuring that any amendments to the organizational documents or written contracts required to be provided to the Commissioner by Tenn. Comp. R. & Regs. 0780-01-54-.04 are filed with the Commissioner no later than thirty (30) days prior to the proposed effective date of the amendments, along with a non-refundable filing fee of ninety dollars ($90.00).

Corrective Action

During the current period of examination, the Group entered into two (2) agreements that were required to be filed with the Commissioner no later than thirty (30) days prior to the proposed effective date. One (1) of these agreements was submitted to the Commissioner after the effective date. This issue is further noted in the "Comments and Recommendations" section of this examination report.

Directive #2

The Group was directed to review the formalized process to monitor compliance with Tenn. Code Ann. §§ 66-29-113 and 66-29-115, *et seq.* regarding the disposition of unclaimed property.

Corrective Action

During the current period of examination, the Group was found to be in compliance with Tenn. Code Ann. §§ 66-29-113 and 66-29-115, *et seq.*

Directive #3

The Group was directed to comply with Tenn. Comp. R. & Regs. 0780-01-54.15, which states "any monies for a fund year in excess of the amount necessary to fund all obligations for that fund year may be declared refundable by the Board of Trustees not less than eighteen (18) months after the end of the fund year, after written approval is granted to the pool by the Commissioner to disburse such funds."

Corrective Action

During the current period of examination the Group was not compliant with Tenn. Comp. R. & Regs. 0780-01-54.15. Prior to the end of each policy year, the Group's Board of Trustees continued to declare all policy year surplus in excess of the funds not needed to comply with Tenn. Comp. R. & Regs. 0780-1-54-.11(1) as payable to the members. This issue is further addressed in the "Comments and Recommendations" and "Growth of Group" sections of this examination report.

Directive #4

The Group was directed to comply with Tenn. Comp. R. & Regs. 0780-01-54.11(1) by accruing and maintaining an aggregate surplus equal to thirty percent (30%) of the unpaid claims liability of the pool.

Corrective Action

During the current period of examination the Group became compliant with Tenn. Comp. R. & Regs. 0780-01-54.11(1).

COMPANY HISTORY

The Group's sponsoring association, Tennessee Forestry Association (TFA), is a Tennessee non-profit trade association of saw millers, landowners, pulp and paper companies, loggers, manufacturers, foresters, and business people, which was organized in 1951.

In April 1993, the Group was created by members of TFA to act as a self-insured workers' compensation pool in accordance with Tenn. Code Ann. § 50-6-405(c)(1). The current Certificate of Authority was issued to the Group by the TDCI on March 3, 2008, authorizing the Group to operate as a self-insured workers' compensation pool as defined by Tenn. Comp. R. & Regs. 0780-01-54-.02(17). The operation of the Group is confined to the State of Tennessee, where it is licensed to transact the business of workers' compensation and employers' liability group self-insurance.

Declaration of Trust and Bylaws

The Group was created through the adoption of the Declaration of Trust and Bylaws ("Bylaws") which was executed on April 15, 1993. The Group was established "for the purpose of holding and administering the Fund through which its members can meet and fulfill their obligations and liabilities under the Tennessee Workers' Compensation Act."

Indemnity Agreement and Power of Attorney

In accordance with Tenn. Comp. R. & Regs. 0780-01-54-.04(2)(e)(2), each member is required to execute and be bound by an indemnity agreement and power of attorney as a condition of membership in the Group. During the period of examination and beginning in 2011, the Group began requiring all new members to execute an indemnity agreement approved by the TDCI. Significant terms to which each member agrees include the following:

- The member agrees that the pool and each member that has entered into this agreement will, jointly and severally, assume and discharge by payment all expenses, liabilities, and claims asserted against the pool by any person or entity;

- The pool shall cancel the member if the member is more than one hundred twenty (120) days late in making a premium payment or if the member does not pay an assessment when due;

- A member who elects to terminate their membership or is cancelled by the pool remains jointly and severally liable for the financial obligations of the pool and its members incurred during any fund year in which the person was a member of the pool; and

- This agreement shall be irrevocable and remain in effect for the entire year in which the member receives any workers' compensation coverage through the Pool, shall bind any successor in interest, and shall remain in effect as long as there is any obligation or liability of the Pool in this State.

MANAGEMENT AND CONTROL

Board of Trustees

The operation and administration of the Group is the joint responsibility of a Board of Trustees ("Trustees") consisting of not more than fifteen (15) nor less than five (5) individuals. Pursuant to Tenn. Comp. R. & Regs. 0780-01-54-.06(1), all Trustees are required to be residents of the State of Tennessee or officers of corporations authorized to do business in the State of Tennessee. All Trustees are not required to be a member of the Group and one (1) Trustee shall be a member of the Board of Directors of TFA.

The Trustees shall be elected by the members of the Group. Each Trustee shall serve for a term of five (5) years. A Trustee may be removed, with or without cause, by a majority vote of all Trustees. If a Trustee dies, becomes incapacitated, refuses to act, resigns or is removed, his successor shall be appointed by the remaining Trustees to fill the unexpired term of office.

Officers

Pursuant to the Bylaws, the Trustees shall elect officers from among its members to serve for a term of one (1) year. The officers of the Group shall consist of a Chairman, Vice-Chairman, and a Treasurer. The Trustees may elect other officers if the need arises.

As of December 31, 2014, the following persons were serving as Trustees and officers of the Group:

Name	**Business/Occupation and Address**
Don Miller, Chairman	Cleveland Wood Products (Retired) Chattanooga, Tennessee
Phil Averitt, Vice-Chairman	J. V. Averitt Lumber Company, Inc. Erin, Tennessee
Bobby Cunningham, Secretary/Treasurer	White Lumber Company, Inc. Doyle, Tennessee
Mike Barnes	The Sawmill, LLC Hohenwald, Tennessee
Randy Roberts	R & R Lumber Oliver Springs, Tennessee
James Savage	Savage Lumber Bone Cave, Tennessee

CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

During the course of the examination, no instances of non-compliance with Tenn. Comp. R. & Regs. 0780-01-54.07(6) and (7) were noted.

CORPORATE RECORDS

The Group's Bylaws state that the Trustees shall meet quarterly, or as often as required, at the time and place, specified by the Chairman or Secretary. Special meetings of the Trustees may be called at any time by the Chairman or any two (2) members of the Trustees. The members of the Group shall meet annually in conjunction with the TFA annual meeting. During the period under examination, there were eighteen (18) regular and special meetings of the Trustees, and five (5) meetings of the members of the Group. The minutes of the meetings were reviewed and appear to reflect properly the acts of the respective bodies. Membership requirements, powers and duties of the Trustees, and Group members were verified to be in accordance with the Tenn. Comp. R. & Regs. 0780-01-54.

MANAGEMENT AGREEMENTS

Administrator Agreement

During the period under examination, Mr. Robert M. Whitley, Jr. served as the Group's Administrator. On March 17, 2010, the Group and Mr. Whitley executed an "Administrator Agreement", under which the Administrator will perform day-to-day management of the Group and perform underwriting services, as well as engaging third-parties to provide auditing, excess insurance, claims administration, loss control, accounting, actuarial, and other services. The Administrator shall also conduct such other activities as required by applicable federal and state laws and regulations. The Administrator's compensation is set by the Trustees, and per the agreement, a fixed fee is paid monthly to the Administrator. Either party may terminate the agreement upon giving not less than thirty (30) days written notice. See the "Comments and Recommendations" section of this report.

Effective March 16, 2009, Tenn. Comp. R. & Regs., 0780-01-54-.07 required a person to obtain a license from the Commissioner of the TDCI in order to act as an administrator for a pool. On July 29, 2010, Mr. Whitley signed an "Application to Serve as Administrator of Self-Insurance Group Pool". His application was received by the TDCI on November 4, 2010. TDCI issued the Certificate of Authority to Mr. Whitley in 2014. Therefore, for a period of time during the period under examination, the Group was not in compliance with the rules because a "Certificate of Authority Administrator of Self-Insured Workers Compensation Pools" had not been issued by the TDCI.

Mr. Whitley continues to act as "Administrator" as defined within the meaning of Tenn. Comp. R. & Regs. 0780-01-54-.02(1).

Claims Processing Agreement

During the period of examination, the Group had a Claims Administration and Loss Control Services Agreement with ERS, Inc. (ERS). ERS is a licensed administrator of workers compensation programs by the TDCI, pursuant to Tenn. Comp. R. & Regs. 0780-01-81-.09.

The agreement with ERS, in effect as of the date of this examination, was originally effective January 1, 2006, and through a series of three (3) amendments remained in effect until December 31, 2014. Pursuant to the terms of a Claims Administration and Loss Control Services Agreement executed on October 15, 2014, ERS continued to provide the Group claims administration and loss control services through December 31, 2017. This agreement may be terminated with cause by either party by providing sixty (60) days prior written notice or without cause by either party by providing ninety (90) days prior written notice.

The Group agrees to pay to ERS a service fee based on a percentage of the Group's earned premium. After the end of the annual policy period, adjustments are made based on the audit of members' payroll for that period. Medical bill review for claims adjudicated is also provided by ERS for a fee based on a percentage of the amount saved.

Related Party Services

Article VII, Section 4 of the Group's Bylaws state that the Group shall pay TFA an annual royalty fee for the use of their name and logo. The Bylaws further state that the payment shall be made from the Group in an amount and period as determined by the Trustees. During the period of examination, the Group provided quarterly royalty payments to TFA equal to one percent (1%) of earned premium with no adjustment made for end of year member premium audits.

The Group and TFA share the costs of human resources, office space, telephone, internet, office equipment, office supplies, property tax, postage, office cleaning, and utilities.

FIDELITY BONDS AND OTHER INSURANCE

The Group maintains a financial institution bond, which covers the Group's Administrator pursuant to Tenn. Comp. R. & Regs. 0780-01-54-.07(3)(b) and (c). The Group maintains a professional liability and crime policy, which includes errors and omissions coverage in compliance with Tenn. Comp. R. & Regs. 0780-01-54-.04(2)(b)(5). The Group also maintains directors' and officers' liability, miscellaneous professional liability, and automobile insurance coverage.

The Group'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 insurance companies licensed to transact business in the State of Tennessee or by authorized surplus lines carriers pursuant to Tenn. Code Ann. Title 56, Chapter 14.

Pursuant to the terms of its claims service contract with the Group, ERS maintains certain insurance coverages. These include commercial general liability, auto liability, workers' compensation, excess/umbrella, fidelity bond, and errors and omission coverage.

STATUTORY DEPOSITS

In compliance with Tenn. Comp. R. & Regs. 0780-01-54-.04(3)(e), the Group maintained the following deposit with the TDCI as of December 31, 2014:

Description	Par Value	Statement Value
Campbell County TN General Obligation 2.0%, due 5/01/2017	$100,000	$100,000

As a result of a revision to Tenn. Comp. R. & Regs. 0780-01-54-.04(3)(e), effective March 16, 2009, at the request of the Group, the TDCI released a portion of the Group's deposit totaling $400,000 par value in December, 2012.

The Group's previous statutory deposit matured on May 1, 2017, and was replaced on May 24, 2017, with a Tennessee municipal bond equal in par value.

EXCESS OF LOSS INSURANCE

In accordance with Tenn. Comp. R & Regs. 0780-01-54-.04(3)(c), the Group had in effect, for the period January 1, 2010, to January 1, 2015, excess of loss agreements for workers' compensation and employers' liability claims with Midwest Employers Casualty Company. The agreements contain both specific and aggregate coverage.

The policies provide coverage for losses sustained by the Group as a result of injury by accident occurring during the policy period, or by disease caused or aggravated by exposure to conditions causing the disease occurring during the policy period. The policies have provisions for the continuation of coverage in the event of plan insolvency. The policies were written by a company authorized to do business in the State of Tennessee.

GROWTH OF GROUP

The following exhibit depicts certain aspects of the growth and financial history of the Group since the previous examination, according to audited financial statements filed with the TDCI:

Policy Year Ending Dec. 31	Earned Premiums	Total Reserves for Losses & LAE*	Assets	Liabilities	Members' Equity or Surplus Funds**
2014	$3,842,570	$4,453,888	$8,204,171	$6,867,754	$1,336,417
2013	$4,012,512	$3,176,206	$7,372,409	$6,261,964	$1,110,445
2012	$3,582,178	$3,656,105	$6,834,738	$5,724,293	$1,110,445
2011	$3,234,051	$4,130,947	$6,735,510	$6,721,897	$13,613
2010	$3,550,636	$4,361,332	$7,242,399	$7,228,786	$13,613

*This represents the total reserves for losses and loss adjustment expenses for all policy years with open claims since the Group's inception.

**Pursuant to Tenn. Comp. R. & Regs. 0780-1-54-.11(1), beginning in 2012, the Group established surplus funds equal to at least thirty percent (30%) of its unpaid claims liability, as reported in its audited financial statements submitted to the TDCI.

LOSS EXPERIENCE

The following exhibit depicts the ratio of incurred losses (unlimited losses including LAE) and administrative expenses of the Group since the previous examination, according to audited financial statements filed with the TDCI:

Year	Premiums Earned	Incurred Losses & LAE	Underwriting Ratio	General & Admin Expense	General & Admin. Expense to Premium	Combined Ratio
2014	$3,842,570	$2,904,160	85.5%	$1,205,314	31.4%	116.9%
2013	$4,012,512	$1,694,206	53.1%	$1,102,044	27.5%	80.6%
2012	$3,582,178	$1,732,822	57.1%	$1,039,161	29.0%	86.1%
2011	$3,234,051	$2,550,352	89.8%	$839,495	25.9%	115.8%
2010	$3,550,636	$2,601,642	84.4%	$1,189,333	33.5%	117.9%

DEFICIT YEAR DEVELOPMENT BY POLICY YEAR

Pursuant to Tenn. Comp. R. & Regs. 0780-01-54.24(1)(b), the Group reported fund year results to the TDCI for the policy year ending December 31, 2013, and December 31, 2014. However, the Group did not report fund year results to the TDCI following the end of the December 31, 2010, December 31, 2011, and December 31, 2012, policy years. See the "Comments and Recommendations" section. During the period of examination, additional development for deficit fund years was reported as follows:

DEFICIT DEVELOPMENT TO DATE

Deficit Years	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014^
Dec. 31,2011				$511,247	$839,937
Dec. 31,2010				750,589	804,236
Dec. 31,2006				217,731	204,865
Dec. 31,2003				487,810	526,416
Dec. 31,2002				407,780	429,948
Dec. 31,2001				444,886	429,561
Dec. 31,2000				942,142	942,576
Dec. 31,1999				437,526	438,830
Dec. 31,1998				115,543	115,543
Mar. 31,1994				214,395	152,579
Total	$0	$0	$0	$4,529,649	$4,884,491

DEFICIT FUNDING BY POLICY YEAR

To cover the development occurring in the policy years above from prior deficit fund years, the Group has transferred funds from surplus years to date as follows:

SURPLUS TRANSFERS TO DATE

Surplus Years	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014^
Dec. 31,2009				$1,261,836	$1,261,836
Dec. 31,2005				487,810	870,147
Dec. 31,2004				1,070,397	1,070,397
Dec. 31,1997				300,000	300,000
Dec. 31,1996				1,195,211	1,195,211
Dec. 31,1995	—	—	—	214,395	390,651
Total	$0	$0	$0	$4,529,649	$5,088,242

^ Funds transferred to date, as of December 31, 2014, from surplus years exceeded the amount needed to cover the deficits, and allows for additional loss development.

REFUNDS OR DISTRIBUTIONS

Tenn. Comp. R. & Regs. 0780-01-54.15 states that "Any monies for a fund year in excess of the amount necessary to fund all obligations for that fund year may be declared refundable by the board of trustees not less than eighteen (18) months after the end of the fund year and only with the written approval of the Commissioner." If the refund is declared, ten percent (10%) of the refundable amount must be retained by the pool for an additional year to cover any obligations that may not yet have been reported.

During the current period of examination and prior to the end of each policy year, the Group's Board of Trustees continued to declare all policy year surplus in excess of the funds not needed to comply with Tenn. Comp. R. & Regs. 0780-1-54-.11(1) as payable to the members, without the written approval of the Commissioner. Therefore, the Group was not in compliance with Tenn. Comp. R. & Regs. 0780-01-54.15. This issue is further addressed in the "Comments and Recommendations" section of this report.

The Group's liability for "Member distribution payable" was composed of undistributed earnings and is considered by the Group to be surplus funds on a GAAP basis, in addition to "Members' Equity". Although excess monies have been declared refundable, the Group's Trustees have not approved the distribution of monies to members since 2000. As of December 31, 2014, distributions of $1,566,030 have been made to members, since the Group's inception.

ACCOUNTS AND RECORDS

Tenn. Comp. R. & Regs. 0780-01-54-.09(2) requires the Group to submit to the Commissioner a statement of financial condition audited by an independent certified public accountant on or before the last day of the sixth (6th) month following the end of the Group's fiscal year. Tenn. Comp. R. & Reg. 0780-01-54-.09(5) allows the Group's audited financial statements to be prepared in accordance with GAAP.

The Group's independent auditor, STB, issued the Group's GAAP audited financial statements and prepared their federal income tax returns. STB also prepared all year-end adjusting entries and an adjusted trial balance as of year-end.

Accounting, underwriting, marketing, excess insurance, and member records are kept at the office of the Group located at:

2605 Elm Hill Pike, Suite G
Nashville, Tennessee 37214

Claims and loss control records are kept at the office of ERS located at:

1240 Fairway Street
Bowling Green, Kentucky 42102

The Group had one (1) employee and relied upon its Administrator and third parties for the performance of the day-to-day operations of the Group.

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to confirm values for assets and liabilities appearing in the Group's financial statements. Test checks were made of income and disbursement items for selected periods. The year-end 2014 general ledger and trial balance were reconciled with the financial statements, and all were reviewed for completeness of disclosure and conformity to GAAP, as permitted by Tenn. Comp. R & Reg. 0780-01-54-.09(5).

The Group and PNC Bank of Pittsburgh, Pennsylvania, executed a Custody Agreement in October 2010. The agreement did not meet all requirements of Tenn. Comp. R. & Regs. 0780-01-46 (revised effective May 26, 2013) and Tenn. Comp. R. & Regs. 0780-01-54.13(4). The Group added an addendum to its Custody Agreement with PNC Bank in order to become compliant. The addendum was signed by both parties on September 1, 2017. See the "Comments and Recommendations" section of this report.

The Group's audited financial statements submitted to the TDCI during the period of examination reported less than eighty-five percent (85%) of its net assets were maintained in permitted investments, in violation of Tenn. Comp. R. & Regs., 0780-01-54-.13. See the "Comments and Recommendations" section in this report.

The Group's audited financial statements reported member premium receivable over ninety (90) days past due as an admitted asset, in violation of Tenn. Comp. R. & Regs. 0780-1-54-.09(3)(a) and 0780-1-54-.13. See "Comments and Recommendations" section in this report.

The Group prepared and submitted GAAP audited financial statements to the TDCI. At the request of the TDCI, the Group also filed financial statements on a statutory basis as of December 31, 2016, reporting the non-admission of specific assets in order to comply with Tenn. Comp. R. & Regs., Rule 0780-1-54.09(3)(a) and 0780-1-54-.13.

The Group's auditor made adjustments to the 2016 statutory statements submitted in June 2017 for bonds, uncollected premiums over ninety (90) days past due, amounts recoverable from excess insurers, and other assets. These adjustments brought the Group's 2016 financial statements into compliance on a statutory basis with Tenn. Comp. R. & Regs., 0780-1-54.09(3) and, 0780-1-54.13.

The Group as of December 31, 2014, had three (3) members with audit premium over twelve (12) months past due. Subsequently, the Group wrote off the audit premium receivable for these three (3) members but did not cancel these members. This is a violation of Tenn. Comp. R. & Regs. 0780-1-54.08(9). See "Comments and Recommendations" section in this report.

LITIGATION AND CONTINGENT LIABILITIES

During the period of examination, and as of December 31, 2014, the Group was not a party to any pending legal proceedings arising in the ordinary course of business, outside of workers' compensation claims' settlements. Liabilities arising from claims litigation are considered upon the establishment of loss reserves reported in the Group's audited financial statements.

During the period of examination and as of December 31, 2014, the Group entered into a number of contingent commitments. The Group's 2014 audited financial statements, Notes to Financial Statements, Note 12 and 14 provide a description of the material contingent commitments concerning claims and loss control services, royalty fees, and shared administrative expenses as of December 31, 2014. A review of these notes did not disclose anything that would have an adverse effect upon the Group.

MARKET CONDUCT ACTIVITIES

In conjunction with this examination, a market conduct review was made of the Group as of December 31, 2014. The following areas were addressed:

Underwriting

During the period of examination, the Group had published Underwriting Guidelines ("Guidelines") that were used in the acceptance and rejection of underwriting risks. The Guidelines, which were approved by the Trustees and filed with the TDCI prior to the period of examination, were found to be in compliance with Tenn. Comp. R. & Regs. 0780-01-54-.08(1).

During the period of examination, all member actions were examined and found to be performed in accordance with the Guidelines and in compliance with Tenn. Comp. R. & Regs. 0780-01-54-.08 (1) and (7).

The examination focused on member file documentation evidencing compliance with Tenn. Comp. R. & Regs. 0780-01-54-.08(2) through (6) and Tenn. Comp. R. & Regs. 0780-01-54-.08(12). No exceptions were noted.

Rate and Premium Contributions

Group underwriting rate and premium contributions were examined for compliance with Tenn. Comp. R. & Regs. 0780-01-54-.10, Rates and Rate Reporting. In compliance with Tenn. Comp. R. & Regs. 0780-01-54-.10(4), the Group filed its Loss Cost Multiplier (LCM) and supporting documents with the TDCI for each year during the period of examination. The Group's use of the LCM was further verified in the review of member underwriting files.

The examination of member underwriting files focused on the Group's calculation of the members' estimated and audited premiums to include use of authorized rates, experience modifications, and discounts in determining member premium contributions for the policy year ending December 31, 2014. No exceptions were noted.

Advertising

Advertising items issued by the Group were examined for compliance with the advertising sub-sections of the Unfair Trade Practices Act, as found in Tenn. Code Ann.

§§ 56-8-104 (1) and (2). The Group's print material, bulletins, and internet website were examined and found to be in compliance with these provisions.

Claims Review

The Group's processing of workers' compensation claims was examined for compliance with claims handling standards as required by the Department of Labor, Division of Workers' Compensation Tenn. Comp. R. & Regs. 0800-02-14.

A sample of claims that were open as of December 31, 2014, as well as a sample of closed claims incurred during the period of examination were reviewed. Information regarding the examination of these open and closed claims files is described below:

Reporting Requirements

Tenn. Comp. R. & Regs. 0800-02-14-.03(1) requires employers to report accidents to their insurer within one (1) working day of knowledge of injury. No exceptions were found.

Investigation

Tenn. Comp. R. & Regs. 0800-02-14-.06 requires medical rating and date of Maximum Medical Improvement (MMI) by the treating physician, and information needed to settle a claim be documented in writing, and that insurers make an offer of settlement in writing within thirty (30) days of MMI. No exceptions were found.

Payment of Benefits

Tenn. Comp. R. & Regs. 0800-02-14-.05 requires compensation payments for an injury be received by the claimant no later than fifteen (15) days after notice of injury, and that compensation benefits be issued timely to assure the injured employee receives the benefits no later than the date they are due. All sampled payments were made within the required timeframe.

Payment of Medical Costs

Tenn. Comp. R. & Regs. 0800-02-14-.07 requires all medical costs owed under the Tennessee Workers' Compensation Law shall be paid within forty-five (45) days of receipt of invoice. All sampled medical payments were made within the required timeframe.

Case Reserves

The Group established and maintained reserves for known claims and expenses and claims Incurred But Not Reported (IBNR), pursuant to Tenn. Comp. R. & Regs. 0780-01-54-.11(4).

In the examination of case reserves, the examiner considered the reserve established in each case and the overall reserve pattern present in the sample in determining if the Group established and maintained adequate reserves. The examiner found that the case reserves tested as of December 31, 2014, appeared to be adequate at the time of review, based on known health information of the injured employee. However, for one (1) claim tested, the case reserves established by representatives of ERS as of December 31, 2014, were understated by a material amount due to subsequent adverse development. The IBNR reserves established by the Group's actuary for claims incurred in the 2014 policy year covered the material increase in this individual case reserve.

In general, during the period of examination, the Group exercised a conservative reserve policy that resulted in establishment of an adequate reserve in compliance with rule requirements.

Policyholder Complaints

Complaints for workers' compensation claims are handled through the Tennessee Department of Labor and Workforce Development (TDOL). Information on how to request assistance is posted on the TDOL website. The website provides contact information in order to file a complaint with the TDOL.

ERS does not maintain a complaint log on behalf of the Group. In the examination of a sample of claims, the examiner found one (1) complaint involving the Group's handling of a denied claim based on the Group's interpretation of Tennessee statutes. This complaint was mediated by the TDOL and resulted in the payment of workers' compensation benefits.

Privacy of Non-Public Personal Information

The Group's members (policyholders) are commercial businesses. Accordingly, Tenn. Comp. R. & Regs. 0780-01-72-.02(2), Privacy of Consumer Information Regulations, does not apply to commercial businesses.

The third-party vendors engaged by the Group for accounting, claims, excess insurance, investments, and member premium audits have written privacy policies, or their agreements with the Group contain confidentiality and protection language governing Group, member, and injured employee information.

Anti-Fraud Plan

The Group has a formalized anti-fraud plan, which was filed with the TDCI on June 19, 2008. The anti-fraud plan language is in compliance with Tenn. Code Ann. § 56-47-112(a).

SUBSEQUENT EVENTS

Since the latter part of 2016, the Group's Board of Trustees has actively worked with its Administrator and the Group's professional advisers to explore the best way to offer workers' compensation insurance to Tennessee Forestry Association members. Those efforts have continued up to the date of this report's issuance.

FINANCIAL STATEMENTS

There follows a balance sheet and a statement of income and comprehensive income as of December 31, 2014, for the period under review, as reported by the Group:

STATEMENT OF FINANCIAL POSITION

Assets

Investment securities available-for-sale	$5,422,042
Cash and cash equivalents	1,278,705
Total investments and cash	6,700,747
Premiums receivable	707,911
Accrued interest receivable	48,628
Excess insurance recoverables on paid losses	6,686
Excess insurance recoverables on unpaid losses	677,267
Refundable income taxes	6,252
Other Assets	56,680
Total	$8,204,171

Liabilities and Members' Equity

Unpaid losses and loss-adjustment expenses	$4,453,888
Member distribution payable	1,820,933
Excess insurance premium payable	33,956
Member overpayments	354,946
Accounts payable and other accrued liabilities	204,031
Total Liabilities	6,867,754
Members' equity	1,336,417
Total	$8,204,171

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

Revenue	
Premiums	$3,842,570
Net investment income	95,578
Total revenue	3,938,148
Expenses	
Losses and loss adjustment expenses	2,904,160
Excess insurance premiums	288,349
Commission expense	276,653
Claims service fee	268,980
Premium tax expense	92,126
Loss control expense	96,064
Royalty fee expense	38,426
Salary and payroll taxes	106,298
Other administrative expenses	418,893
Total expenses	4,489,949
Income (loss) before member distribution and provision for income taxes	(551,801)
Reduction in accrual for member distribution	777,773
Current income tax benefit (expense)	0
Deferred income tax benefit (expense)	0
Net income (loss)	225,972
Unrealized holding gains arising during the period, net of deferred taxes	30,788
Reclassification adjustment for losses included in net income, net of deferred taxes	17,859
Increase in the accrual of excess income as distributable to the members	(48,647)
Comprehensive earnings	$225,972

COMMENTS AND RECOMMENDATIONS

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

Comments

(1) As noted in the section "Accounts and Records", the Group's custodial agreement with PNC Bank was not in compliance with Tenn. Comp. R. & Regs. 0780-01-46 (revised effective May 26, 2013) and Tenn. Comp. R. & Regs. 0780-01-54.13(4). An addendum satisfying this issue was signed by both parties on September 1, 2017.

Recommendations

(1) Pursuant to Tenn. Comp. R. & Regs. 0780-01-54-.04, any amendments to the organizational documents or written contracts required to be provided to the Commissioner must be filed with the Commissioner no later than thirty (30) days prior to the proposed effective date of the contract. The Group's Administrator Agreement that was effective March 17, 2010, was received by the Commissioner after the effective date, on November 4, 2010. It is recommended that the Group implement controls to ensure compliance with the filing requirements of Tenn. Comp. R. & Regs. 0780-01-54.05. See the "Compliance with Previous Examination Findings" and "Management Agreements" sections of this report.

(2) As noted in the "Accounts and Records" section, it is recommended that the Group put in place controls in order to maintain eighty-five percent (85%) of its net assets in permitted investments in accordance with Tenn. Comp. R. & Regs., 0780-01-54-.13(1) and (2).

(3) As noted in the "Compliance with Previous Examination Findings" and "Growth of Group" section, it is recommended that the Group's Trustees comply with Tenn. Comp. R. & Regs. 0780-01-54-.15, which states that "Any monies for a fund year in excess of the amount necessary to fund all obligations for that fund year may be declared refundable by the board of trustees not less than eighteen (18) months after the end of the fund year and only with the written approval of the Commissioner."

(4) As noted in the "Experience by Fund Year" section, the Group did not report fund year results to the TDCI following the end of the 2010, 2011, and 2012 policy years pursuant to Tenn. Comp. R. & Regs. 0780-01-54.24(1)(b). It is recommended that the Group put in place controls in order to comply with Tenn. Comp. R. & Regs. 0780-01-54.24(1)(b) regarding the reporting of fund year results to the TDCI following the end of the policy year.

(5) As noted in the "Accounts and Records" section, it is recommended that the Group non-admit member premium receivable over ninety (90) days past due pursuant to Tenn. Comp. R. & Regs. 0780-1-54.09(3)(a) in future audited financial statements submitted to the TDCI.

(6) As noted in the "Accounts and Records" section, it is recommended that the Group cancel members that are more than one hundred twenty (120) days late in making premium payments, pursuant to Tenn. Comp. R. & Regs. 0780-1-54.08(9).

CONCLUSION

Insurance examination practices and procedures, as promulgated by the TDCI and the NAIC, have been followed in connection with the verification and valuation of assets and the determination of liabilities, on a GAAP basis, of Tennessee Forestry Association Selective Workers' Compensation Group.

In such manner, it was determined that, as of December 31, 2014, the Group had assets of $8,204,171, liabilities of $6,867,754, and $1,336,417 in the form of members' equity. Tenn. Comp. R. & Regs. 0780-01-54.11(1) requires a self-insured workers' compensation pool to accrue and maintain an aggregate surplus equal to thirty percent (30%) of the unpaid claims liability of the pool, which was $1,336,166, as of December 31, 2014. Therefore, for this examination, as of December 31, 2014, the Group maintained surplus in excess of the amount required to satisfy Tenn. Comp. R. & Regs. 0780-01-54.11(1).

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

In addition to the undersigned, Leah Thomas, CFE, FLMI, AIE, MCM, Insurance Examiner and Jay Uselton, CFE, Insurance Examiner, representing the State of Tennessee, participated in the work of this examination.

Respectfully submitted,

James T. Pearce, Jr.

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

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Tennessee Forestry Association Selective Workers' Compensation Group located in Nashville, Tennessee, dated November 3, 2017, and made as of December 31, 2014, 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 T. Pearce, Jr.

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

State Tennessee

County Davidson

Subscribed to and sworn before me

this 15th day of June, 2018

Notary [illegible]

My Commission Expires: 6/19/18

PATRICK A. WOMAC
STATE OF TENNESSEE NOTARY PUBLIC
MCMINN COUNTY

EXHIBIT B

TENNESSEE FORESTRY ASSOCIATION
SELECTIVE WORKERS' COMPENSATION GROUP

P.O. BOX 290693 • NASHVILLE, TENNESSEE 37229
2605 ELM HILL PIKE, SUITE G • NASHVILLE, TENNESSEE 37214
PHONE: (615)-883-3832 FAX: (615)-883-0515

June 19, 2018

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 – Tennessee Forestry Association Selective Workers' Compensation Group

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for **Tennessee Forestry Association Selective Workers' Compensation Group.**

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

Sincerely,

Mike Whitley
Executive Director
Tennessee Forestry Association
Selective Workers' Compensation Group