

EXHIBIT A



**STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE**

**REPORT ON EXAMINATION
OF THE
WHITE COUNTY FARMERS MUTUAL FIRE INSURANCE
COMPANY
SPARTA, TENNESSEE**

**AS OF
DECEMBER 31, 2014**

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Nashville, Tennessee
May 20, 2016

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, 2014, has been made of the condition and affairs of:

White County Farmers Mutual Fire Insurance Company
324 North Spring Street
P. O. Box 358
Sparta, Tennessee 38583

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 March 28, 2016, 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, 2010, to the close of business on December 31, 2014, 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 practices and procedures of the TDCI and the NAIC *Financial Condition Examiners Handbook* ("Handbook"), as appropriate. The examination was planned to evaluate the financial condition, 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, and 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. In light of the Company's limited segregation of duties and reliance on third parties to provide accounting services, examination tests and audit procedures considered necessary to verify the balance sheet and income statement item balances as of December 31, 2014, were performed, including substantial verification of supporting documentation.

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, 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 Company is discussed below:

Directive #1

Pursuant to Tenn. Code Ann. § 56-22-105(c), the Company was directed to maintain surplus funds equaling or exceeding \$200,000.

Corrective Action

The Company complied with this directive. The 2012 through 2014 Annual Statements submitted to the TDCI reported surplus funds exceeding \$200,000.

Directive #2

Pursuant to Tenn. Code Ann. § 56-22-106(c)(1), the Company was directed to refrain from issuing a policy of insurance covering specific risks above \$20,000, plus three percent (3%) of the Company's surplus.

Corrective Action

Pursuant to the terms of the excess of loss reinsurance agreement in effect as of the date of this examination, the maximum amount of specific risk retained on any insurance policy was \$25,000. The Company's surplus, as determined by this examination as of December 31, 2014, was \$486,518. Three percent (3%) of \$486,518 equates to \$14,596. Therefore, the Company, as of January 1, 2015, was allowed exposure for any single risk up to \$34,596. The Company complied with this directive.

COMPANY HISTORY

The Company incorporated on March 5, 1923, 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 Title § 56, Chapter 22, of Tennessee Law for the purpose of insuring loss or damage to property due to fire, lightning, or tornadoes to residents of White County in the State of Tennessee. The Company commenced business on March 5, 1923.

As of December 31, 2014, the Company was licensed to transact business in the state of Tennessee, pursuant to Tenn. Code Ann. § 56-22-106(a).

MERGER

On April 7, 2014, the Company's Board of Directors ("Board") unanimously approved a plan for the merger and acquisition of Warren County Farmers Mutual Fire Insurance Company ("Warren County"). On April 13, 2014, Warren County's Board of Directors unanimously approved the sale of Warren County to the Company. On September 12, 2014, in accordance with Tenn. Code Ann. §§ 56-22-112 and 56-11-103, the Company presented a Form A filing to the TDCI requesting approval to acquire Warren County through a loss portfolio transfer agreement, whereby all policies, records, assets, and liabilities would be procured. On November 23, 2014, the TDCI issued an order, effective September 30, 2014, approving the plan of merger and acquisition submitted by the Company to acquire Warren County.

Merger Accounting

Pursuant to the terms of the Company's merger agreement with Warren County, the assets of Warren County that were transferred to the Company were held by the Company in segregated bank accounts. These funds were allocated to pay reinsurance premiums, loss and loss adjustment expenses, and administrative expenses attributable to Warren County policies until Warren County policies are converted to policies issued by the Company. A portion of these funds was also allocated to reduce the annual premium payments of Warren County's policyholders for the next three (3) years, beginning in 2015.

The merger agreement also allowed for an amount of segregated surplus to be retained by the Company in order for the Company to maintain the same ratio of surplus to members which existed just prior to the merger date. As of December 31, 2014, the Company reserved surplus funds totaling \$56,000 to maintain this ratio.

In 2015, the Company disbursed funds for payment of reinsurance premiums, loss and loss adjustment expenses, administrative expenses, and premium discounts applicable to Warren County policyholders in the amount of \$130,639. This reduced the amount of funds available to pay Warren County policyholder expenses from \$161,657 to \$31,018 as of December 31, 2015.

The Company initially agreed to give Warren County policyholders in 2016 a forty percent (40%) premium discount pursuant to the terms of the merger agreement. However, because the amount of funds applicable to Warren County policyholders disbursed in 2015 exceeded estimated amounts, the Company's Board held a special meeting on February 4, 2016, and instead approved a twenty percent (20%) premium discount in 2016 and a twenty percent (20%) premium discount in 2017 for Warren County policyholders. The Company's accountant estimated a twenty percent (20%) premium reduction for Warren County policyholders in 2016 would be \$9,896.

As a result of the merger and acquisition of Warren County, the Company accepted liabilities for unpaid salaries, directors' fees, payroll, and unemployment taxes payable to Warren County directors, officers, and a policy accounting consultant. On October 23, 2015, and January 12, 2016, the Company issued checks for payment of these inherited liabilities.

After the merger agreement with Warren County was approved by the TDCI, the Company requested, but never received, all of Warren County's records, including policy files and evidence that all liabilities had either been identified or discharged. With the assistance of some of Warren County's former directors and Warren County's

accountant, the Company was able to identify all of its policyholders and the specific properties insured, and their locations.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

Management of the Company is vested in a Board, elected at the annual members' ("policyholders") meeting. In accordance with the Bylaws, the Board shall consist of not less than six (6) nor more than fifteen (15) members.

The following persons were duly elected by the members to serve on the Board, as of December 31, 2014:

<u>Director</u>	<u>Home City and State</u>
David Hunter	Sparta, Tennessee
Donna W. Jones	Doyle, Tennessee
Sam Lankford, Jr.	Sparta, Tennessee
Marvin Lusk	McMinnville, Tennessee
George Lowery	Sparta, Tennessee
David Pendergraph	McMinnville, Tennessee
David L. Roberts	Sparta, Tennessee
Walter C. Stone, Jr.	Sparta, Tennessee
Robert C. Wilson	Sparta, Tennessee
John R. Woods	McMinnville, Tennessee
Quinn Templeton	Quebeck, Tennessee

One third (1/3) of the directors are elected at each annual members' meeting, and each director serves a term of three (3) years. A majority of the Board constitutes a quorum, as defined by the Bylaws. Board meetings are held on the same day as the members' meetings.

Officers

The Bylaws of the Company instruct the Board to appoint the officers of the Company immediately following the annual meeting of the members.

The following persons served as the Company's officers, as of December 31, 2014:

<u>Name</u>	<u>Title</u>
George Lowery	President, Director
Robert C. Wilson	Vice President, Director
Donna W. Jones	Secretary, Treasurer, Director

The Company's Bylaws state "The Board of Directors may elect an Executive Committee..." However, an Executive Committee was not elected during the period of examination.

CONTROL

The Company's Bylaws define a member as a person having insurance with the Company. 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.

Annual and special meetings of the members shall be held at the call of the Board or the President and shall be held at the office of the Company, or at such place as the Board may designate. Annual meetings of the members are held on the first Monday in March. Advance notice of the date and time of the annual meeting of the members is given on the insurance policy form. Notice of a special meeting must be published at least five (5) days prior to the special meeting in a newspaper circulated in White County. These communications shall be deemed sufficient notice to all members of annual and special meetings, according to the Bylaws.

Each member is entitled to one (1) vote irrespective of the number of policies owned by any 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 (10) members. The affirmative vote of a plurality of members present shall be necessary to pass any action. The 2010 through 2015 membership meeting minutes reflected the attendance of fewer than ten (10) members. A quorum was not present at the Company's member meetings as required by the Bylaws. See the "Comments and Recommendations" section later in this examination report.

CONFLICTS OF INTEREST AND PECUNIARY INTEREST

The Company does not have a formal conflict of interest policy to govern the actions of all directors, officers, and employees. This issue is noted further in the section titled "Comments and Recommendations" found later in this report.

AFFILIATED COMPANIES

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

CORPORATE RECORDS

Charter

The Charter recites the 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 the affirmative vote of a majority of the directors present at any regular or special meeting of the Board. There were no amendments to the Bylaws during the period of examination.

Meeting Minutes

Minutes of the meetings of the Board were reviewed and found to provide a brief summary of the actions approved. Attachments and exhibits provided to the Board were maintained with the minutes. During the period of examination, there were five (5) annual meetings of members, five (5) regular Board meetings, and eight (8) special Board meetings.

As noted earlier in this report in the section titled "Control," the Company was not in compliance with its Bylaws regarding a quorum for the transaction of business at the meeting of members. See also "Comments and Recommendations" later in this report for additional information.

FIDELITY BONDS AND OTHER INSURANCE

Professional Liability Policy and Directors & Officers

The Company's combination fidelity and professional liability coverage was underwritten by NAMIC Insurance Company, Inc. of Indianapolis, Indiana, which is an approved foreign surplus lines carrier in the State of Tennessee. The minimum amount of coverage recommended in the NAIC Handbook for a company of this size ranges between \$25,000 to \$50,000. The Company maintained fidelity coverage which

exceeded the minimum coverage recommended for the protection of the Company's policyholders.

Insurance Agents and Brokers Liability Insurance Policy

The Company's Insurance Agents and Brokers Liability Insurance coverage was underwritten by NAMIC Insurance Company, Inc. of Indianapolis, Indiana, which is an approved foreign surplus lines carrier in the State of Tennessee.

Surety Bond

As of the date of examination the Company had a \$10,000 Surety Bond in effect covering the Company's Agent. Western Surety Company, a licensed property and casualty insurance company in the State of Tennessee, issued this Surety Bond.

TERRITORY AND PLAN OF OPERATION

The Company's initial Certificate of Authority was issued effective July 1, 1986. The Company's current Certificate of Authority was issued to the Company by the TDCI on February 28, 1989, and authorizes the Company to transact the business of fire, lightning, hail, extended coverage, and tornado in the State of Tennessee. The Certificate of Authority reflects the Company's lawful authorization to write business in counties contiguous to White County, pursuant to Tenn. Code Ann. § 56-22-106(f)(1). The Certificate of Authority is valid until suspended or revoked.

The Company writes policies in Cumberland, DeKalb, Putnam, Van Buren, Warren, and White Counties in Tennessee.

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company provides its members with coverage on rental and owner occupied residential dwellings (including mobile homes) and contents, barns, livestock, farm equipment, tools, feed, community centers, and church buildings in case of loss due to fire, wind, hail, lightning, theft, and vandalism.

Policies are typically written for two-thirds (2/3) of the replacement value of the property insured, subject to policy limits of \$25,000 per specific loss. The policy period for each policy is one (1) year. Policyholders have the option of paying premium annually, semi-annually, quarterly, or monthly, and premiums are first due beginning on the policy anniversary date. The standard deductible is \$250, and applies separately to each specific item listed on the policy.

The Company writes business through a licensed in-house agent and the agent receives a twenty percent (20%) commission for all new business, less a \$2.00 policy fee. As of December 31, 2014, the Company's agent was a licensed property and casualty insurance agent in the State of Tennessee.

The Company's agent performs a visual inspection of the property, photographs the property, and determines the value of the property prior to the issuance of a policy. The Company's Secretary/Treasurer approves or rejects all policy applications prepared by the agent. 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 member.

Subsequent to the date of this examination, on October 23, 2015, the Company received approval from the TDCI to begin issuing homeowner's insurance policies with enhanced coverage for residence, related private structures, personal property, additional living costs, and loss of rent incidental.

GROWTH OF COMPANY

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

<u>Year</u>	Net Premiums Earned	Net Incurred Losses	Admitted Assets	Liabilities	Policyholders' Surplus	Net Income
2014	\$224,761	\$80,235	\$758,903	\$302,218	\$456,685	\$38,163
2013	\$246,695	\$64,428	\$480,295	\$177,531	\$302,764	\$87,607
2012	\$227,764	\$99,040	\$387,303	\$172,146	\$215,157	\$32,484
2011	\$235,377	\$127,799	\$335,305	\$152,631	\$182,674	\$9,691
2010	\$228,422	\$81,349	\$321,042	\$148,060	\$172,982	\$56,533

LOSS EXPERIENCE

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

<u>Year</u>	<u>Net Premiums Earned</u>	<u>Net Incurred Losses & LAE</u>	<u>Underwriting Ratio</u>	<u>General & Adm. Expense</u>	<u>Gen. & Adm. Expense to Premium</u>	<u>Combined Ratio</u>
2014	\$224,761	\$90,153	40.11%	\$97,926	41.34%	81.45%
2013	\$246,695	\$72,454	29.37%	\$87,052	35.29%	64.66%
2012	\$227,764	\$112,179	49.25%	\$83,922	36.85%	86.10%
2011	\$235,377	\$142,631	60.60%	\$83,742	35.58%	96.17%
2010	\$228,422	\$89,183	30.04%	\$87,981	38.52%	77.56%

ACCOUNTS AND RECORDS

The Company engaged George T. Elrod, a Sparta, Tennessee accountant, to provide, with assistance from the Company's Secretary/Treasurer, certain accounting services related to regulatory filings, including preparation of statutory annual statements and federal income tax filings.

The Company accounts for its business on a cash basis, using ledger books and QuickBooks software. Using source documents and various paper and electronic subsidiary ledgers (e.g., cash receipts, cash disbursements and policy files), Mr. Elrod makes adjusting entries to the Company's general ledger and trial balance in order to report balance sheet and income statement items for the Company's annual statements on a statutory accrual basis. Immaterial differences were noted in accounts; therefore, none produced a material effect on surplus.

Policy information, premium billing, and premium receipts for each policy were recorded using a software package developed and maintained by Automated Insurance Management Systems (AIMS) of Richmond, Virginia.

Appalachian Claims Service provides claims adjustment services.

STATUTORY DEPOSIT

The Company was not required by statute to pledge a deposit to the Commissioner of the TDCI in order to lawfully conduct business in the State of Tennessee.

COMMITMENTS AND CONTINGENCIES

No commitments or contingencies were found that would materially affect the Company's financial position or operating results as of December 31, 2014.

REINSURANCE

Specific and Aggregate Excess of Loss Reinsurance

Effective January 1, 2012, the Company ceded risk through an Excess of Loss Reinsurance Agreement with Farmers Mutual of Tennessee (FMT), headquartered in Knoxville, Tennessee, as follows:

Type:	Exhibit A – Combination Per Risk/Aggregate Excess of Loss
Coverage:	Section I – Property Risk Excess of Loss: covers each loss in excess of the Company's \$25,000 maximum retention up to the reinsurer's \$75,000 each risk, each occurrence.
	<p>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:</p> <ul style="list-style-type: none"> A. Seventy percent (70%) of the Company's gross net earned premium income or B. \$165,000, 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: <ul style="list-style-type: none"> a. Fifty percent (50%) of the Company gross net earned premium income or b. \$155,000. <p>The agreement provides that recoveries under Part 1 shall inure to the benefit of Part 2</p>

Type:	Exhibit B – Second Aggregate Excess of Loss
Coverage:	<p>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:</p> <ul style="list-style-type: none"> A. Seventy percent (70%) of the Company's gross net earned premium income or B. \$165,000, plus the lesser of: <ul style="list-style-type: none"> a. Fifty percent (50%) of the Company's gross net earned premium income or b. \$155,000 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 <ul style="list-style-type: none"> i. Seventy percent (70%) of the gross net earned premium income or ii. \$165,000 plus the lesser of <ul style="list-style-type: none"> (a) Fifty percent (50%) of the Company's gross net earned premium income or (b) \$155,000, but the reinsurer's liability shall not exceed one hundred percent (100%) of the lesser of <ul style="list-style-type: none"> (i) One hundred twenty-five percent (125%) of the Company's gross net premium income or (ii) \$400,000 in the aggregate.

Type:	Exhibit C – Third Aggregate Excess of Loss
Coverage:	<p>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:</p> <ul style="list-style-type: none"> A. Two hundred forty-five percent (245%) of the Company's gross net earned premium income or B. \$520,000, 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: <ul style="list-style-type: none"> a. Two hundred forty-five percent (245%) of the gross net earned premium income or b. \$519,400, but the reinsurer's liability shall not exceed one hundred percent (100%) of the lesser of: <ul style="list-style-type: none"> i. Seven hundred fifty percent (750%) of the Company's gross net premium income or ii. \$2,385,000 in the aggregate.

The aforementioned reinsurance agreement, in effect as of December 31, 2014, 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 Statement of Statutory Accounting Principles (SSAP) # 62 and NAIC guidelines.

Prior to the Company's merger and acquisition of Warren County, Warren County ceded risk through a Property Facultative Pro Rata Reinsurance Agreement with a consortium of reinsurers brokered by Guy Carpenter and Company, Inc. of Philadelphia, PA. Beginning on the merger date, the Company arranged for active policies issued by Warren County to be reinsured under the terms of the Company's Excess of Loss Reinsurance Agreement with FMT. In May 2015, Guy Carpenter and Company, Inc. reimbursed the Company for the portion of unearned premium applicable to Warren County policies in-force in the amount of \$13,490.

MARKET CONDUCT ACTIVITIES

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

Policy Forms and Underwriting Practices

Pursuant to Tenn. Code Ann. §§ 56-22-109(b)(1), 56-5-303, 56-5-304, and 56-5-305, the Company's policy forms in effect from January 1, 2010, through April 1, 2012, were approved by the TDCI on March 9, 2007.

The Company's policy forms and premium rates in effect from April 1, 2012, through April 1, 2013, were approved by the TDCI on January 30, 2012, and March 20, 2012.

The Company's policy forms and premium rates in effect from April 1, 2013, through December 31, 2014, were approved by the TDCI on February 11, 2013.

The Company's \$250 deductible and policy application form were approved by the TDCI on March 9, 2007, and remained unchanged during the period of examination.

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 56-8-104(2).

Policy Cancellation

The Company mails a premium notice to its members thirty (30) days before the due date. Policyholders are given thirty (30) days to make their premium payment and then policyholders are notified of past due premium and given a thirty (30) day grace period before a cancellation notice is sent to the member and lienholder(s). If the premium payment is made during the thirty (30) day grace period, the Company will pay any legitimate claim, after a reduction for the policy premium due and the deductible.

The Company adheres to the non-renewal provisions contained in Tenn. Code Ann. §§ 56-7-1901 and 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. 0780-01-72, "Privacy of Consumer Information Regulations."

Claims Review

A sample of claims closed and denied during 2014 were examined for compliance with Company's policy terms and Tenn. Code Ann. § 56-8-105. Appalachian Claims Service adjusted all claims tested and the Company's Secretary/Treasurer supervised the adjudication of 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, 2014, for the period under review, as established by this examination:

ASSETS

Bonds and long-term certificates of deposit	\$0
Common stocks	5,632
Real estate (properties occupied by the company)	0
Cash and cash equivalents	696,227
Premium receivables and agents' balances	56,097
Interest, dividends and real estate income due and accrued	947
Aggregate write-ins for other than invested assets	<u>0</u>
Total admitted assets	<u>\$758,903</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Gross losses and claims reported, unpaid	\$0
Loss adjustment expenses	0
Unearned premiums	154,898
Advance premiums	15,899
Ceded reinsurance premiums payable	32,000
Account payable and accrued expense payable	1,584
Taxes, licenses and fees	837
Amounts withheld or retained by company for account of others	<u>97,000</u>
Total liabilities	302,218
Policyholders' surplus	<u>456,685</u>
Total liabilities and policyholders surplus	<u>\$758,903</u>

STATEMENT OF INCOME

UNDERWRITING INCOME

Net premiums and assessments earned	\$224,761
DEDUCTIONS:	
Net losses incurred	80,235
Loss expenses incurred including claims adjustment expenses	9,918
Other underwriting expenses incurred:	
Commissions and brokerage:	
Agents compensation and allowances	5,800
Salaries and related items:	
Employees' salaries	36,990
Payroll taxes	<u>2,947</u>
Total salaries and related items	39,937
Directors fees	1,150
Advertising and subscriptions	3,792
Boards, bureaus and association dues	3,935
Insurance and fidelity bonds	6,955
Travel and travel items	1,027
Rent and rent items	4,800
Printing and stationery	11,027
Postage, telephone and telegraph	9,810
Legal and auditing fees	4,461
Taxes, licenses and fees:	
State and local insurance taxes	3,300
Insurance department licenses and fees	515
All other	<u>1,417</u>
Total taxes, licenses and fees	5,232
Total underwriting expenses incurred	97,926
Total underwriting deductions	<u>188,079</u>
Net underwriting gain or (loss)	36,682

INVESTMENT INCOME

Net investment income earned	1,481
Net realized capital gains or (losses) from sale or maturity of assets	<u>0</u>
Net investment gain or (loss)	<u>1,481</u>

OTHER INCOME

Aggregate write-ins for miscellaneous income	<u>0</u>
Total other income	0
Dividends to policyholders	0

Net income after dividends to policyholders and before federal income taxes	<u>38,163</u>
Federal income taxes incurred	<u>0</u>
Net income	38,163
CAPITAL AND SURPLUS ACCOUNT	
Surplus as regards policyholders, December 31 prior year	302,764
Net income	38,163
Change in net unrealized capital gains (losses)	0
Change in non-admitted assets from prior year	0
Cumulative effect of changes in accounting principles	0
Aggregate write-ins for gains and losses in surplus (Surplus from merger with Warren County Farmers Mutual Fire Insurance Company)	<u>115,758</u>
Policyholders' surplus as of December 31, 2014	<u>\$456,685</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

None.

SUBSEQUENT EVENTS

(1) Effective January 1, 2015, the Company entered into a new Excess of Loss Reinsurance Agreement with FMT. This new Excess of Loss Reinsurance Agreement continued to provide the Company with adequate specific risk and aggregate reinsurance coverage pursuant to Tenn. Code Ann. §§ 56-22-106(c)(2) and 56-22-110.

(2) At the annual meeting on March 2, 2015, the members elected Vernice L. Dunlap to replace David D. Pendergraph on the Company's Board.

(3) On March 2, 2015, the Board voted to elect David L. Roberts as the Company's President, replacing George T. Lowery. Also on March 2, 2015, the Board voted to elect David L. Hunter as the Company's Vice President, replacing Robert C. Wilson.

(4) On April 30, 2016, the Company moved its office from 324 North Spring Street, Sparta, Tennessee to 391 West Bockman Way, Sparta, Tennessee.

COMMENTS AND RECOMMENDATIONS

Comments

(1) As noted earlier in this report, the Company was not in compliance with its Bylaws for the number of members required for a quorum to conduct business at the annual meeting. The Company should take the action necessary to comply with their Bylaws or amend the Bylaws such that a quorum can be achieved and business transactions can be properly approved at member meetings.

(2) The Company does not have a formal conflict of interest policy to govern the actions of all directors, officers, and employees. As a good business practice and to evidence compliance with Tenn. Code Ann. § 56-3-103, the Company is advised to implement such a policy and require annual disclosures of conflicts or potential conflicts of interest.

Recommendations

None.

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 White County Farmers Mutual Fire Insurance Company.

In such manner, it was determined that, as of December 31, 2014, the Company had admitted assets of \$758,903 and liabilities of \$302,218. Thus, there existed, for the additional protection of the policyholders, surplus funds of \$456,685.

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.
Insurance Examiner
State of Tennessee

AFFIDAVIT

The undersigned deposes and states that he has duly executed the attached examination report of White County Farmers Mutual Fire Insurance Company, as of December 31, 2014, and dated May 20, 2016, 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 24th day of June, 2016

Notary Denise M. Lewis

My Commission Expires: 11/15/20



My Commission Expires

EXHIBIT B

Roger Howell, Agent *Serving White and surrounding counties since 1923* Betty Turner, Cashier

White County Farmers Mutual Fire Insurance Company
P.O. Box 358, 391 West Bockman Way
Sparta, TN 38583
Phone: (931) 836-2712 Fax: (931) 836-6472
Donna W. Jones, Sec.-Treas.

June 24, 2016

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 – White County Farmers Mutual Fire
Insurance Company**

Dear Ms. Little:

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

Sincerely,



Donna W. Jones, Sec./Treas.
White County Farmers Mutual
Fire Insurance Company