REPORT ON EXAMINATION

OF THE

CITIZENS MUTUAL INSURANCE COMPANY OF LINCOLN COUNTY
118 COLLEGE STREET WEST
POST OFFICE BOX 469
FAYETTEVILLE, TENNESSEE 37334

RECEIVED
MAY 20 2013
Dept. of Commerce & Insurance
Company Examinations

AS OF
DECEMBER 31, 2011

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

EXHIBIT
A

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Fayetteville, TN
May 16, 2013

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 Tennessee insurance laws and regulations and resolutions adopted by the National Association of Insurance Commissioners ("NAIC"), a financial examination with market conduct review was made of the condition and affairs of the

CITIZENS MUTUAL INSURANCE COMPANY OF LINCOLN COUNTY
118 COLLEGE STREET WEST
POST OFFICE BOX 469
FAYETTEVILLE, TENNESSEE 37334

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

INTRODUCTION

This examination was called by the Department of Commerce and Insurance of the State of Tennessee ("TDCI") on November 28, 2011, and work on the examination began on February 25, 2013. The Company was authorized to write business only in the state of Tennessee. Therefore, the examination was not classified as an Association Examination under NAIC Guidelines. Duly authorized representatives of the TDCI performed the examination.

SCOPE OF EXAMINATION

This examination report covers the period from January 1, 2007, to the close of business on December 31, 2011, and includes any material transactions and/or events occurring subsequent to the examination date and noted through the date of this report.

The examination of the financial condition was conducted in accordance with guidelines and procedures contained in the NAIC *Financial Condition Examiners Handbook* ("Handbook"). During the course of examination, assets were verified and valued and liabilities were determined or estimated as of December 31, 2011. The financial condition of the Company and its degree of solvency were thereby established. Test checks were

made of income and disbursement items for selected periods, and a general review was made of the Company's operations, practices, and compliance with applicable statutes and regulations.

All asset and liability items contained in the financial statement of this report were examined and verified with relative emphasis according to actual effect and potential impact on solvency.

In addition, the following topics were reviewed:

Company History
Charter and Bylaws
Management and Control
Holding Company System
Compensation Expense Ratio Tenn. Comp. Rules & Regulation 0780-1-78-.03
Pecuniary Interest Tenn. Code Ann. § 56-3-103
Corporate Records
Fidelity Bonds and Other Insurance
Retirement Plan and Other Employee Benefits
Territory (includes in-force/premium by state)
Plan of Operation
Market Conduct Activities
Loss Experience
Reinsurance
Commission Equity
Statutory Deposits
Dividends or Distributions
Accounts and Records
Litigation and Contingent Liabilities
Subsequent Events
Financial Statement

The previous examination was conducted as of December 31, 2006, by authorized representatives of the TDCI.

COMPANY HISTORY

The Company was incorporated on July 21, 1932, under the provisions of the Tennessee Business Corporation Act as a non-profit mutual benefit corporation. The Company was organized as a county mutual fire insurance company ("county mutual") pursuant to Tennessee Code Annotated, Title 56, Chapter 22 for the purpose of insuring loss or damage to property of residents of Lincoln County in the state of Tennessee.

The original incorporators of the Company were:

Morgan Eslick
Hiram Higgins
George A. Jarvis
John R. Crowder
H.T. Holman
B.E. Holman

The Company has operated since 1932 as a county mutual. The current Certificate of Authority was issued to the Company on December 31, 2011. The Certificate authorized the transaction of Fire, Lightning, Hail, Extended Coverage and Tornado business in Lincoln County and contiguous counties. The Certificate remains valid until suspended or revoked.

The Company operates as a mutual company and therefore reports no authorized or issued common stock. The Company has not borrowed any money during the period under examination.

The Company's reported surplus complies with Tenn. Code Ann § 56-22-105(c) which states:

> No certificate of authority shall be granted or maintained, unless the applicant or county mutual insurance company can prove to the commissioner's satisfaction that it will be able to write at least one hundred (100) policies of insurance and possesses at least two hundred thousand dollars ($200,000) in surplus.

The Company's capital structure appears in the 2011 Annual Statement as follows:

Policyholders' surplus	$486,579

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

Date	Earned Premium	Net Incurred Losses	Admitted Assets	Liabilities	Policyholders' Surplus	Net Income
12/31/2007	$160,344	$44,464	$718,830	$79,079	$639,751	$8,911
12/31/2008	155,024	48,254	726,101	87,184	638,917	(4,617)
12/31/2009	158,252	56,258	710,467	86,930	623,537	(15,504)
12/31/2010	158,731	103,649	637,470	86,925	550,545	(67,001)
12/31/2011	159,389	94,288	579,283	92,704	486,579	(59,174)

Date	Gross In Force Business	Net In Force Business	Policy Count
12/31/2007	$13,735,328	$10,444,110	667
12/31/2008	13,962,978	9,817,478	657
12/31/2009	14,189,028	11,239,828	660
12/31/2010	15,160,228	11,464,528	624
12/31/2011	15,167,978	11,347,678	591

CHARTER AND BYLAWS

Charter:

The original Charter of the Company was filed and recorded with the Secretary of State, State of Tennessee effective July 21, 1932. The Charter provided for the operation of a non-profit corporation with a perpetual existence, and established its location in Fayetteville, Lincoln County, Tennessee.

The Charter states, "The purpose of the corporation is to insure its members against loss to property caused by fire, wind or lightning." Changes to statutes in Tennessee law now allow the Company to offer extended coverage.

The Charter on file with the TDCI is a copy of the original typed document. The Secretary of State website reflects the Charter which was written as of July 21, 1932.

Bylaws:

The Bylaws provide for an annual meeting of the members on the second Monday in July at 4:00 p.m. central time. A Board of Directors ("Board") is elected at this meeting. Officers are elected by the Board at the first Board meeting after the annual meeting of members. The Bylaws charge the Board with managing the business and affairs of the Company.

The current Bylaws are such as are generally found in corporations of this type and contain no unusual provisions. No amendments have been enacted to the Bylaws under the period of examination.

MANAGEMENT AND CONTROL

Board of Directors:

Management of the Company is vested in a Board in accordance with the Bylaws. The Board consists of not less than six or more than fifteen members. Each Director must be a member in good standing with the Company.

The following persons were duly elected and serving as members of the Company's Board on December 31, 2011:

Name and County	
James Kidd Fayetteville, Tennessee	Joe Askew Fayetteville, Tennessee
H.D. Holman Fayetteville, Tennessee	Betty Holman Fayetteville, Tennessee
Carolyn Moyers Fayetteville, Tennessee	

Officers:

The Bylaws require the Board to annually elect a President, Vice President, Secretary/Treasurer, and Manager who are also Members of the Company.

The following elected Officers were serving in the positions indicated for the Company at December 31, 2011:

Name	Title
James Kidd	President
H.D. Holman	Secretary/Treasurer
Carolyn Moyers	Vice President/Bookkeeper

The President functions as the Chief Executive Officer, and presides over all meetings of the Members and the Board. The President, Vice President and the Secretary/Treasurer serve as joint managers for the affairs of the Company as no specific Manager was elected during the examination period.

The Company's Executive Committee at December 31, 2011, was as follows:

Name	Title
James Kidd	President
H.D. Holman	Secretary/Treasurer
Carolyn Moyers	Vice President & Bookkeeper

Ms. Carolyn Moyers performs the administrative and executive functions of the Company at the home office. The Company is a direct writer and markets insurance products through its appointed agent, Joe F. Askew. Underwriting activities are also performed by home office staff with the assistance of the Company's reinsurer, Farmers Mutual of Tennessee ("FMT") which is located in Knoxville, Tennessee.

Limited accounting assistance is provided as needed by the following firm:

David A. Kidd, CPA
115 Main Avenue North
Fayetteville, Tennessee 37334

HOLDING COMPANY SYSTEM

The Company is licensed as a county mutual insurance company and is owned by its members who are the policyholders. It does not meet the definition of a holding company system defined by Tenn. Code Ann. § 56-11-201.[1]

COMPENSATION EXPENSE RATIO TENN. COMP. R. & REGS. 0780-1-78-.03

Tenn. Code Ann. § 56-22-107 and Tenn. Comp. R. & Regs. 0780-1-78-.03 both offer guidance on compensation for Directors and Officers as follows:

> (1) No county mutual insurance company's compensation expense ratio may exceed thirty percent (30%) for any given year.
>
> (2) Any county mutual insurance company whose compensation expense ratio exceeds thirty percent for any given year shall be considered to be operating in a hazardous financial condition.

1 Former part 2, §§ 56-11-201—56-11-215, was redesignated as part 1, §§ 56-11-101 – 56-11-115, by the code commission in 2008.

The following table shows the expense ratio discussed above:

Year	Policy Count	Gross Premium	Total Compensation Expense	Compensation Expense Ratio
2007	667	$177,955	$54,804	30.8%
2008	657	167,804	54,625	32.6%
2009	660	170,664	54,245	31.8%
2010	624	171,526	54,235	31.6%
2011	591	176,103	54,138	30.7%

The Company exceeded the maximum expense ratio of thirty percent by a small margin during each year under examination.

PECUNIARY INTEREST TENN. CODE ANN. § 56-3-103

The Directors and Officers of the Company complied with the provisions of Tenn. Code Ann. § 56-3-103. The statute prohibits Officers and Directors from having a pecuniary interest in investment or disposition of Company funds.

CORPORATE RECORDS

The Directors met quarterly during the years under examination. An annual meeting of Members was held in July of each year.

During the period of examination, there were twenty regular Board meetings and six annual meetings of Members. Minutes of the referenced meetings were reviewed to examine the acts of the respective bodies.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains insurance coverage as follows:

Type of Coverage	Coverage Limits
Insurance Company Combined Professional Liability and Directors & Officers Liability Insurance	$1,000,000

Coverage is underwritten by NAMIC Insurance Company, Inc., which is licensed in Tennessee as a surplus lines carrier. A five thousand dollar ($5,000) retention per claim applies to defined claims as outlined in the policy.

Type of Coverage	Coverage Limits
Commercial Lines Policy:	
Building (actual cash value)	$190,500
Business Property	$30,000
Liability and Medical Expenses	$2,000,000
Medical Expenses	$10,000 each person
Other than Products/Completed Operations Aggregate	$2,000,000
Products/Completed Operations	$4,000,000
Money and Securities inside premises	$10,000
Business Income	12 months

Coverage is underwritten by Westfield Insurance Company which is licensed in Tennessee as a foreign property and casualty insurer. A five hundred dollar ($500) deductible applies to property coverage and a five hundred dollar ($500) deductible applies to optional coverage.

RETIREMENT PLAN AND OTHER EMPLOYEE BENEFITS

The Company does not provide any retirement benefits for employees or Members.

TERRITORY

As of December 31, 2011, and as of the date of this examination report, the Company was licensed to transact business in the state of Tennessee with approval to write coverage in Lincoln County and those counties contiguous to Lincoln County.

Premium Written in Tennessee by County in 2011 was as follows:

County	Written Premium
Lincoln	$128,861
Giles	29,269
Franklin	10,741
Marshall	3,988
Bedford	1,318
Moore	1,092
Lawrence	669
Grundy	134
Hickman	31
Total	$176,103

PLAN OF OPERATION

The Company has been in existence since 1932 and writes fire, lightning, hail and extended coverage insurance on structures in Lincoln County. As allowed by statute, the Company also writes in counties contiguous to Lincoln County. The Company's one appointed agent performs marketing duties. The Company's net maximum exposure is limited to twenty-five thousand dollars ($25,000) per risk through reinsurance. The largest single gross risk insured in 2011 was eighty thousand dollars ($80,000).

Premiums are payable on an annual, semi-annual or quarterly basis at the option of the member. Liability coverage is available to the members of the county mutual if they wish to purchase this additional protection through FMT.

MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company as of December 31, 2011, in conjunction with this examination. The following items were addressed:

Policy Forms and Underwriting Practices:

A review was made of the Company's underwriting policies and policy forms. No unusual findings were noted.

The Company offers a payment plan to its members on an annual, semi-annual, or quarterly basis.

Policies are typically written for the full value of the property insured, subject to policy limits. The retained amount of risk is twenty-five thousand dollars ($25,000). The reinsurance program is further described under the caption "REINSURANCE." The agent performs the property appraisal during the application process, prior to the issuance of a policy. Property eligible to be insured includes dwellings, church buildings, barns, cribs, stables, smokehouses, and the contents of each of the aforementioned structures.

The Company's retained amount of risk complies with the requirements of Tenn. Code Ann. § 56-22-106.

Advertising:

The Company does not have a formal advertising program. The Board Members and the Company's appointed agent communicate reputation and services throughout the community. Marketing is on a direct basis. All policies are written by the Company's appointed agents who are licensed in the state of Tennessee for property/ casualty lines of business.

The Company and its appointed agents comply with the licensing requirements of Tenn. Code Ann. § 56-22-113.

Claims Review:

A sample of paid claim files reviewed during the examination indicated that claims were paid in accordance with policy provisions, and settlements were made properly upon receipt of proper evidence of the Company's liability.

The Company had no open claims at December 31, 2011.

Policyholder Complaints:

Inquiries made to the various sections within the TDCI indicated no specific regulatory concerns with the Company during the period under examination. No unusual practices, transactions, or items warranting significant concern with regard to the Company were noted.

Privacy of Nonpublic Personal Information

The Company's privacy policies and practices were reviewed. No instances of non-compliance with Tenn. Comp. R. & Regs. 0780-1-72 were noted.

LOSS EXPERIENCE

Year	Net Premiums Earned	Net Incurred Losses & LAE	Underwriting Ratio	General & Adm. Exp.	Gen. & Adm. Exp. to Prem.	Combined Ratio
2007	$160,344	$44,464	27.7%	$133,686	83.4%	111.1%
2008	155,024	48,254	31.1%	132,424	85.4%	116.5%
2009	158,252	56,258	35.5%	130,673	82.6%	118.1%
2010	158,731	103,649	65.3%	127,096	80.1%	145.4%
2011	159,389	94,288	59.2%	128,435	80.2%	139.4%

REINSURANCE

Effective January 1, 2008, through the end of the year 2011, the Company ceded excess of loss reinsurance with FMT as follows:

Type: Exhibit A – Combination Per Risk and Aggregate Layer

Coverage: Part 1 – Property Risk Excess of Loss: covers each loss in excess of the Company's twenty-five thousand dollar ($25,000) maximum retention up to the Reinsurer's seventy-five thousand dollar ($75,000) maximum per risk, each loss occurrence.

Part 2 – Aggregate Excess of Loss covers the Company's ultimate net losses in the aggregate for each calendar year in excess of the greater or 75% of the Company's gross net premium income or one hundred fourteen thousand dollars ($114,000) and shall not exceed 100% of the lesser of 50% of the Company's gross premium income or one hundred fourteen thousand dollars ($114,000).

Type: Exhibit B – Second Aggregate Layer

Coverage: Covers 100% of the Company's ultimate net losses in the aggregate for each calendar year in excess of the greater of 75% of the Company's gross net premium income or one hundred fourteen thousand dollars ($114,000) plus the lesser of 50% of gross net premium income or one hundred fourteen thousand dollars ($114,000) and the Reinsurer shall be liable for 100% of the Company's ultimate net loss in excess of the greater of 75% of the Company's gross net premium income or one hundred fourteen thousand dollars ($114,000) plus the lesser of 50% of gross net premium income or one hundred fourteen thousand dollars ($114,000) but the Reinsurer's liability shall not exceed 100% of the lesser of 125% of the Company's gross net premium income or three hundred thousand dollars ($300,000) in the aggregate, during each annual period this agreement is in effect.

Type: Exhibit C – Third Aggregate Layer

Coverage: Covers 100% of the Company's ultimate net losses in the aggregate for each calendar year in excess of the greater of 250% of the Company's gross net premium income or four hundred thousand dollars ($400,000) and the Reinsurer shall be liable for 100% of the Company's ultimate net loss in excess of the greater of 250% of the Company's gross net premium income or five hundred eighty thousand dollars ($580,000) but the Reinsurer's liability shall not exceed 100% of the lesser of 750% of the Company's gross net premium income or one million, eight hundred thousand dollars ($1,800,000) in the aggregate, during each annual period this agreement is in effect.

During the period of examination, the Company's losses did not exceed the amount necessary to trigger the second or third aggregate layer of reinsurance coverage. FMT is licensed as a domestic property and casualty insurer by the TDCI.

Any policy insuring a property for more than one hundred fifty thousand dollars ($150,000) is underwritten and reinsured by FMT on a facultative basis.

COMMISSION EQUITY

The reinsurance agreements with FMT under which the Company cedes a portion of its losses are excess of loss agreements and do not create any commission equity.

DIVIDENDS OR DISTRIBUTIONS

No dividends or distributions were paid during the period under examination period.

ACCOUNTS AND RECORDS

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 Company's financial statements. All of the Company's bank accounts were confirmed with the various financial institutions. General ledger trial balance information and AIMS policy system information were reconciled with copies of annual statements for the years 2007, 2008, 2009, 2010 and 2011.

County mutual insurance companies do not file a Risk Based Capital Report as required of most insurers by the NAIC.

The Company uses a hand written ledger format. Accounting records supported the operations of the Company during the period under examination. However, the Company has not been successful in creating a policy aging system that would allow for the calculation of uncollected premium. The only means for calculation is taking the handwritten policy cards and calculating the amount due at a particular date.

Books and records of the Company are kept at the home office location as shown below:

118 College Street West
Fayetteville, Tennessee 37334

LITIGATION AND CONTINGENT LIABILITIES

As of December 31, 2011, the Company had no pending litigation which could have a material financial effect on the financial statements in this report.

SUBSEQUENT EVENTS

There were no reportable material subsequent events.

FINANCIAL STATEMENT

Statements of assets, liabilities, revenue and expenses at December 31, 2011, together with a reconciliation of capital and surplus for the period under review as established by this examination, are as follows:

ASSETS

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds and Long-term Certificates of Deposit	$390,109	$0	$390,109
Preferred Stocks	0		0
Common Stocks	0		0
Real Estate:			
Property occupied by the company	70,910		70,910
Cash and short-term investments	122,767		122,767
Investment income due and accrued	4,270		4,270
Uncollected premiums and agents balances in the course of collection	1,209		1,209
Reinsurance recoverable on paid losses and loss adjustment expenses	3,000		3,000
Federal income tax recoverable	0	0	0
Furniture, equipment and supplies	5,696	5,696	0
Electronic data processing equipment and software	0		0
Aggregate write-ins for other than invested Assets	12,982	12,982	0
Totals	$597,961	$18,678	$579,283

LIABILITIES, CAPITAL, AND SURPLUS

Gross losses and claims reported, unpaid	$0
Gross losses and claims incurred but not reported	0
Reinsurance recoverable on unpaid losses and claims	0
Total unpaid claims and losses net of reinsurance	0
Loss adjustment expenses	0
Unearned premiums	92,704
Ceded reinsurance premiums payable	0
Account payable and accrued expenses	0
Advance premiums	0
Taxes, licenses and fees payable	0
Federal income tax payable	0
Borrowed money	0
Aggregate write-ins for liabilities	0
Total liabilities	92,704
Policyholders' surplus	486,579
Total liabilities & Policyholders' surplus	$579,283

STATEMENT OF REVENUE AND EXPENSES

Net premiums earned		$159,389
Deductions: Losses incurred	$94,288	
Loss expenses incurred	0	
Total losses and loss expenses incurred		94,288
Other underwriting expenses incurred:		
Agents compensation and allowances (travel)	0	
Employee salaries	49,743	
Payroll taxes	4,395	
Total salaries and related items	54,138	
Directors fees	7,900	
Boards, bureaus and association fees	2,799	
Employee relations and welfare	0	
Insurance and fidelity bonds	0	
Travel and travel items	0	
Equipment	479	
Printing and stationery	1,373	
Postage, telephone and telegraph	2,195	
Legal and auditing fees	788	
State and local insurance taxes	0	
Insurance department fees	2,394	
Real estate expenses and repairs	3,361	
Real estate taxes	2,282	
Aggregate write-ins for underwriting expenses	7,233	
Total underwriting deductions		231,425
Net underwriting gain (loss)		(72,036)
INVESTMENT INCOME		
Net investment income earned	11,278	
Net realized capital gains (losses)	0	
Net investment gain		11,278
OTHER INCOME		
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		1,584
Total other income		1,584
Dividends to policyholders		0
Federal income taxes incurred		0
Net income		$(59,174)

CAPITAL AND SURPLUS

Surplus as regards policyholders, December 31 prior year		$550,545
Net income	($59,174)	
Net unrealized capital gains (losses)	0	
Change in net deferred income tax	0	
Change in non-admitted assets	(4,792)	
Surplus adjustments: Paid in	0	
Accounting change for addition error	0	
Aggregate write-in for gains and losses in surplus	0	
Change in surplus as regards policyholders for the year		(63,966)
Surplus as regards policyholders, December 31 current year		$486,579

RECONCILIATION OF CAPITAL AND SURPLUS FOR THE PERIOD UNDER EXAMINATION

Surplus as regards policyholders December 31	**2007**	**2008**	**2009**	**2010**	**2011**
Previous Year	$690,055	$639,751	$638,917	$623,537	$550,545
Net Income	8,911	(4,617)	(15,504)	(67,001)	(59,174)
Change in net unrealized capital gains (losses)					
Change in net deferred income tax					
Increase uncollected premium					0
Change in non-admitted assets	0	3,783	124	(5991)	(4,792)
Change in reserve on account of change in valuation basis	0	0	0	0	0
Change in asset valuation reserve					
Cumulative effect of changes In accounting principles	(59,215)	0	0	0	0
Capital changes: Paid in					
Capital changes: Transferred from surplus (stock dividend)					
Surplus adjustments: Paid in					
Surplus adjustments: Transferred to capital (stock dividend)					
Aggregate write-ins for gains and losses in surplus					
Accounting change for addition error on annual statement					0
Accounting adjustments	0				
Rounding to $	0	0	0	0	0
Surplus as regards to policyholders December 31 Current Year	**$639,751**	**$638,917**	**$623,537**	**$550,545**	**$486,579**

COMMENTS AND RECOMMENDATIONS

Comments:

The Company is encouraged to develop a premium aging process to age premiums receivable and determine the amount of premiums over ninety days past due, pursuant to SSAP No. 6.

There have never been delinquencies. The Company sends past due notices at approximately thirty day and sixty day intervals after premium due dates (policy anniversary dates). The Company cancels the policies if assessments are not paid within 10 days of sending the cancelation notice for mortgaged property, Non-mortgaged property policies are canceled five days after the cancelation notice is sent.

Recommendations:

The examiner has no recommendations.

CONCLUSION

Insurance examination practices and procedures as promulgated by the National Association of Insurance Commissioners and TDCI have been followed in connection with the verification and valuation of assets and the determination of liabilities of Citizens Mutual Insurance Company of Lincoln County of Fayetteville, Tennessee.

In such manner, it was determined that, as of December 31, 2011, the Company had admitted assets of five hundred seventy-nine thousand, two hundred eighty-three dollars ($579,283) and liabilities, exclusive of unassigned funds, of ninety-two thousand, seven hundred four dollars ($92,704). Thus, there existed for the additional protection of the policyholders, the amount of four hundred eighty-six thousand, five hundred seventy- nine dollars ($486,579) in the form of unassigned funds (surplus).

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

Respectfully submitted,

David N. Bobo
Insurance Examiner III
State of Tennessee
Southeastern Zone, N.A.I.C.

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Citizens Mutual Insurance Company of Lincoln County dated May 14, 2013 and made as of December 31, 2011, on behalf of the Department of Commerce and Insurance, State of Tennessee. Deponent further says 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.

David N. Bobo
Insurance Examiner III
State of Tennessee
Southeastern Zone, N.A.I.C.

Subscribed and sworn to before me

this 20th day of

May, 2013

Notary Helen W. Dorsey

County Davidson

State Tennessee

Commission Expires 03/03/2014

HELEN W DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

CITIZENS MUTUAL INSURANCE COMPANY
OF LINCOLN COUNTY, TN
118 WEST COLLEGE STREET P. O. BOX 469
FAYETTEVILLE, TN 37334-0469
931-433-5115

RECEIVED
MAY 22 2013
Dept. of Commerce & Insurance
Company Examinations

May 16, 2013

Mr. James York
Director of Financial Examinations
TN Dept. of Commerce & Insurance
500 James Robertson Pkwy., 7th Floor
Nashville, TN 37243-1135

Dear Mr. York:

Many thanks for your report on the examination of this company as of December 31, 2011.

I have sent a copy of it to our CPA, David Kidd, and also showed it to Joe Askew, General Agent & Director.

As far as we can see, everything seems to be in order with your report and we are waiting to receive your formal final report.

We appreciate your assistance and also that of Mr. David Bobo in doing this examination of Citizens Mutual Insurance Company.

If we can be of any further assistance to you, please contact us.

Again, your report seems to be complete and in order to us and we await your final report.

Thank you.

Sincerely,

Carolyn Moyers

CITIZENS MUTUAL INSURANCE CO. OF LINCOLN COUNTY, TN

cn/cc

EXHIBIT
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