



**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, 2019**

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Sparta, Tennessee
April 28, 2021

Honorable Carter Lawrence
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-22-115, a full-scope financial examination and market conduct review, as of December 31, 2019, has been made of the condition and affairs of:

WHITE COUNTY FARMERS MUTUAL FIRE INSURANCE COMPANY

336 North Spring Street
Sparta, Tennessee 38583

hereinafter referred to as the “Company” and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or “Department”). The examination was conducted by duly authorized representatives of the Department.

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2014. This examination covers the period from January 1, 2015 through December 31, 2019, 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 rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (“Handbook”), as deemed appropriate. The examination sought to evaluate the overall financial statement presentation and management’s compliance with statutory accounting principles and the *Annual Statement*

Instructions for Tennessee County Mutual Insurers (“Instructions”). The examination also included an assessment of prospective risks faced by the Company, based on information obtained during the course of the examination.

The examination reviewed the Company’s business policies and practices, management and corporate matters, and reviewed 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.

A separate market conduct review was performed concurrently with the financial examination. See the “Market Conduct Activities” section of this report.

The Company provided a letter of representation confirming that management has disclosed all significant matters and records.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The examination included a review to determine the current status of the comments and recommendations noted in the previous report on examination as of December 31, 2014. A summary of the Commissioner’s directives and the corrective actions taken by the Company are discussed below:

Comment (1)

It was noted that the Company was not in compliance with its Bylaws regarding the number of members required for a quorum to conduct business at the annual meeting. It was suggested that the Company take the actions necessary to comply with their Bylaws or amend their Bylaws such that a quorum could be achieved and business transactions could be properly approved at member meetings.

Corrective Action

The Company complied with this comment and ensured that, pursuant to their Bylaws, they had the required minimum ten (10) members in attendance during the annual meetings, providing a quorum to conduct business.

Comment (2)

It was found that the Company did 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 was advised to

implement such a policy and require annual disclosures of conflicts or potential conflicts of interest.

Corrective Action

The Company created a formal conflict of interest policy to govern the actions of all directors, officers, and employees; however, they did not implement annual disclosures of conflicts or potential conflicts of interest. See the “Conflicts of Interest and Pecuniary Interests” and “Comments and Recommendations” sections in this report.

COMPANY HISTORY

The Company was 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 Tenn. Code Ann. Title 56, Chapter 22, 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.

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 unanimously approved the sale of the Company. On September 12, 2014, 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.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

Management of the Company is vested in a Board, elected at the annual members' meeting. In accordance with the Bylaws, the Board shall not be less than six (6) nor more than fifteen (15) members. Directors are elected for a term of three (3) years.

The following persons were duly elected and serving as directors on the Company's Board, as of December 31, 2019:

<u>Director</u>	<u>Address</u>
David L. Roberts	Sparta, Tennessee
David Hunter	Sparta, Tennessee
Donna W. Jones	Doyle, Tennessee
David Carrick	Cookeville, Tennessee
John Richard Woods	McMinnville, Tennessee
Marvin Lusk	McMinnville, Tennessee
Vernice L. Dunlap	Rock Island, Tennessee
Walter C. Stone, Jr.	Sparta, Tennessee
Quinn Templeton	Quebeck, Tennessee

During the examination period, the Board held five (5) 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. At that meeting, the Board shall elect a President, a Vice President, a Secretary, and a Treasurer. Each officer shall serve a term of one (1) year.

The following individuals were duly elected by the Board and were serving as officers of the Company, as of December 31, 2019:

<u>Name</u>	<u>Title</u>
David L. Roberts	President
David Hunter	Vice President
Donna W. Jones	Secretary/Treasurer

CONTROL

The Company's Bylaws define a "member" as a person having insurance with the Company . The Company is equally owned by its members. The Company has never issued any shares of capital stock or established guaranteed capital.

The annual meeting of the members shall be held each year at the home office or at such a place or date as may be designated by the management and of which the membership shall be informed by written or printed notice.

Special meetings of the members shall be held at the call of the Board at any time and shall be called upon petition of not less than ten (10%) percent of the members entitled to vote at such meeting. Pursuant to the Bylaws, members are given advance notice of the date, time, and location of all membership meetings.

Each member is entitled to one (1) vote in person. No member shall vote by proxy. A quorum for any membership meeting shall consist of ten (10) members.

During the examination period, five (5) annual meetings of the members were held. No special meetings were held.

During the period under examination, the Company amended their Bylaws and changed the date of their annual membership meeting from the first Saturday in February to the fourth Monday of March, and changed the meeting location of these meetings. These changes were approved by the members of the Company. However, the Company did not correctly report this change on their 2018 annual statement. See the "Corporate Records" and "Comments and Recommendations" sections in this report.

CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

The Company does have a written conflict of interest policy in place; however, the Company does not have a conflict of interest disclosure form. A review of the Company's compliance with Tenn. Code Ann. § 56-3-103 found no director or officer of the Company had a pecuniary interest in the investment or disposition of Company funds. For additional details, see the "Comments and Recommendations" section later in this report.

CORPORATE RECORDS

The minutes of the meetings were reviewed and appear to properly reflect the acts of the respective bodies, with one (1) exception. During a review of the minutes, it was noted that there was no documentation of the Company's approval of investments. Pursuant to Tenn. Code Ann. § 56-3-408(b)(1), the Board is required to approve all investments made

by the Company. For additional details, see the “Comments and Recommendations” section later in this report.

Charter

The Charter recites the general and specific powers of the Company in detail. The Charter, as currently stated, was reviewed 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 may be amended or repealed, or new Bylaws may be drafted and adopted, by the majority vote of the members present at any regular or special meeting of the members. As noted previously in this report, changes that affected the Company’s Bylaws were approved by the members at an annual membership meeting. However, the Company did not correctly report this change on their 2018 annual statement. For additional details see the “Control”, and “Comments and Recommendations” sections in this report.

SERVICE AGREEMENTS

The Company had several agreements in place for services during the period under examination, some of which are verbal agreements with various third parties. As a good business practice, the Company should formalize these verbal agreements in writing and execute with all parties. For additional details, see the “Comments and Recommendations” section later in this report.

Financial and Tax Preparation Services

A local certified public accounting (CPA) firm, in Sparta, Tennessee, provides limited accounting services related to regulatory filings, including preparation of statutory annual statements, quarterly statements, and federal income tax filings.

Claims Adjustment Services

N & C Claims, Inc. provides claims adjustment services for the Company. This was a verbal agreement during the examination period. However, during the course of the examination, the Company entered into a written agreement with N & C Claims, Inc. For additional details, see the “Comments and Recommendations” section later in this report.

Insurance Management Systems

The Company uses Automated Insurance Management Systems (AIMS) to process policies, customer billings, endorsements, send out late notices, cancellations, mortgage clauses, and track new and renewal policies.

TERRITORY AND PLAN OF OPERATION

Territory

The Company's current Certificate of Authority was issued by the TDCI on July 1, 1986, and authorized the transaction of the business of fire, lightning, hail, extended coverage, and tornado in the State of Tennessee. The Certificate of Authority is valid until suspended or revoked and allows the Company to transact business operations in all counties contiguous to White County in the State of Tennessee, pursuant to Tenn. Code Ann. § 56-22-106(f)(1). The Company currently writes policies in Cumberland, DeKalb, Putnam, Van Buren, Warren, and White counties in Tennessee.

Plan of Operation

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 commission for all new business. The Company engages an agent duly licensed in property and casualty insurance within Tennessee.

Liability coverage, provided through an agreement with Farmers Mutual of Tennessee ("Farmers"), a Tennessee property and casualty insurer, is also available to the members of the Company. The four (4) types of liability coverage offered include: 1) Personal Liability, 2) Commercial Liability, 3) Farm Personal Liability, and 4) Farm Employee Liability.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination, according to financial statements filed with the TDCI:

<u>Year</u>	<u>Gross Premiums Written</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholders' Surplus</u>	<u>Net Income</u>
2019	\$345,588	\$879,092	\$174,365	\$704,727	\$81,600
2018	\$279,191	\$797,342	\$174,215	\$623,127	\$86,596
2017	\$284,317	\$707,329	\$171,323	\$536,006	(\$45,716)
2016	\$293,172	\$772,046	\$190,704	\$581,342	(\$8,283)
2015	\$372,530	\$806,719	\$220,077	\$586,642	\$129,957

LOSS EXPERIENCE

The following comparative data reflects the loss experience of the Company for the period under review, as reported by the Company in its financial statements filed with the TDCI:

<u>Year</u>	<u>Net Premiums Earned</u>	<u>Net Incurred Losses & LAE</u>	<u>Loss Ratio</u>	<u>Other Expenses</u>	<u>Expense Ratio</u>	<u>Combined Ratio</u>
2019	\$277,090	\$92,630	33.43%	\$111,008	39.54%	72.96%
2018	\$236,949	\$44,067	18.60%	\$109,501	47.12%	65.72%
2017	\$201,248	\$140,551	69.84%	\$109,706	57.17%	127.01%
2016	\$210,518	\$97,666	46.39%	\$124,406	60.05%	106.44%
2015	\$335,135	\$93,132	27.79%	\$113,992	33.95%	61.74%

REINSURANCE

Specific and Aggregate Excess of Loss Reinsurance

In accordance with Tenn. Code Ann. §§ 56-22-110 and 56-22-106(d), the Company has Specific and Aggregate Excess of Loss coverage through Farmers for the purpose of limiting their exposure on larger risks. Under the terms of this agreement, the Company retains the first \$25,000 of each risk, per occurrence, and reinsures up to \$2,400,000 through a series of three (3) layers of coverage.

The agreement was found to contain such language as recommended by the NAIC and as required for reinsurance credit pursuant to Tenn. Code Ann. § 56-2-207(a)(2). This

agreement appears to effectuate proper transfer of risk in accordance with Statement of Statutory Accounting Principles (SSAP) No. 62 and NAIC guidelines. The agreement was found to meet the requirements set forth in Tenn. Code Ann. § 56-22-110.

ACCOUNTS AND RECORDS

The Company's general accounting records consisted of an automated general ledger and various subsidiary ledgers (e.g., cash receipts, cash disbursements). During the review of the Company's accounts and records, several discrepancies were noted as detailed below.

During the period under examination, the Company did not correctly non-admit premiums receivable that were over ninety (90) days past due. Although the amount not-admitted was not considered material, this is not in compliance with SSAP No. 6, paragraph 9. For additional details, see the "Comments and Recommendations" section later in this report.

The Company has been incorrectly accounting for the Farmers' liability premiums as is required by the Farmers' liability agreement. For additional details, see the "Comments and Recommendations" section later in this report.

The Company did not correctly non-admit "Furniture, equipment, and supplies" on their 2015 through 2019 annual statements. For additional details, see the "Comments and Recommendations" section later in this report.

During the review of the Company's Statement of Income & Policyholders' Surplus Account in their 2019 annual statement, it was noted that the Company left blank "Line 14: Net income after dividends to policyholders and before federal income taxes." This is not in compliance with the Instructions and Tenn. Code Ann. § 56-22-109. For additional details, see the "Comments and Recommendations" section later in this report.

During the review of the Company's Supplemental Compensation Exhibit in their 2019 annual statement, it was noted that the Company left blank "Part 3 – Director Compensation (Payroll Taxes Included)." This is not in compliance with the Instructions and Tenn. Code Ann. § 56-22-109. For additional details, see the "Comments and Recommendations" section later in this report.

During the review of the Company's Exhibit E in their 2019 annual statement, it was noted that the Company had incorrectly reported three (3) of the nine (9) interest rates reported on this exhibit. This is not in compliance with the Instructions and Tenn. Code Ann. § 56-

22-109. For additional details, see the “Comments and Recommendations” section later in this report

The Company did not correctly answer the General Interrogatories in its financial statements for the examination period. The Company answered “No” in their 2018 annual statement to General Interrogatories question one (1), which asks, “Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?” Although the changes were approved by the members during the previous examination period, the Company did not change the Bylaws until 2018. The Company answered “No” to this question, when the appropriate response was “Yes.” See the “Comments and Recommendations” section later in this report.

In accordance with Tenn. Code Ann. § 56-46-110, the Company was exempt from filing a Risk-Based Capital Report.

The Company was exempt from Tenn. Comp. R. & Regs. 0780-1-78.04(4), which requires the filing of an actuarial opinion by a qualified actuary with the Commissioner on or before March 1.

The Company’s books and records are located in Sparta, Tennessee.

MARKET CONDUCT ACTIVITIES

In conjunction with this examination, a limited market conduct review was made of the Company, as of December 31, 2019. The following items were addressed:

Policy Forms and Underwriting Practices

Pursuant to Tenn. Code Ann. §§ 56-5-103, 56-5-104, 56-5-105, and 56-22-109(b)(1), the Company’s policy forms in effect from January 1, 2015, through December 31, 2016, were approved by the TDCI on February 11, 2013. On November 28, 2016, the Company made changes to their policies. These policy forms were in effect from January 1, 2017, through December 31, 2019, and were approved by the TDCI on December 12, 2016.

The Company’s premium rates in effect from January 1, 2015, through December 31, 2016, were approved by the TDCI on February 11, 2013. The Company filed new rates with the Department on November 28, 2016, which went into effect January 1, 2017. These rates were approved by the TDCI on December 12, 2016.

During the review of the Company's applications, it was noted that several of the Warren County applications could not be located. In addition, several of the Company's applications were missing the fraud statement that is required by Tenn. Code Ann. § 56-53-111. For additional details, see the "Comments and Recommendations" section later in this report.

Producer Licensing

During a review of producer licensing and appointments, it was noted that some of the Company's producers were not appointed by the Company, as required by Tenn. Code Ann. § 56-6-115. This issue was addressed and corrected during the course of this examination. For additional details, see the "Comments and Recommendations" section later in this report.

Advertising

The Company's advertising during the period of examination consisted of pens, calendars, radio ads, and newspaper ads. The Company's reputation and products are also communicated to potential members by the Board and the Company's agents via word of mouth.

Policy Cancellation

The Company mails a notice to its members at least thirty (30) days before cancellation. All cancellations reviewed included proper notice of cancellation, as required by Tenn. Code Ann. § 56-22-109(b)(2).

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), which 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.

Claims Review

A sample of claims was reviewed for unfair claims practices as defined by Tenn. Code Ann. § 56-8-105. Testing included timeliness of contact and resolution, adequacy of claims documentation, claims handling procedures, and reasonableness of denials. No issues were noted during the claims review.

Complaint Handling

The Company's complaint handling practices were reviewed for compliance with Tenn. Code Ann. § 56-8-104(11). It was noted that during the examination period, the Company did not maintain a complaint log as required by this statute. For additional details, see the "Comments and Recommendations" section later in this report.

SUBSEQUENT EVENTS

No subsequent events were noted during the course of the examination that would have a material effect on the Company.

On March 11, 2020, The World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused volatility in the financial markets. However, the Company has been largely unaffected by COVID-19 and has continued doing business as normal. In addition, the Company's investments have not been affected by the volatility in the financial markets.

The Company moved locations in 2020 from 391 West Bockman Way, Sparta Tennessee to 336 North Spring Street, Sparta Tennessee.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of income, as of December 31, 2019, together with a reconciliation of policyholders' surplus for the period under review, as reported by the Company in its 2019 annual statement:

	<u>ASSETS</u>		
	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Common stocks	\$9,521		\$9,521
Cash and cash equivalents	784,337		784,337
Premium receivables and agents' balances	76,624		76,624
Interest, dividends, and real estate income due and accrued	5,092		5,092
Furniture, equipment, and supplies	<u>2,389</u>	—	<u>2,389</u>
Total Admitted Assets	<u>\$877,963</u>	<u>\$0</u>	<u>\$877,963</u>

LIABILITIES AND POLICYHOLDERS' SURPLUS

Unpaid losses and claims	\$3,670
Unearned premiums	141,992
Advance premiums	26,637
Accounts payable and accrued expenses payable	862
Taxes, licenses, and fees (excluding federal income taxes)	<u>1,204</u>
 Total liabilities	 174,365
Policyholders' surplus	<u>703,598</u>
Total Liabilities and Policyholders' Surplus	<u>\$877,963</u>

STATEMENT OF INCOME

UNDERWRITING INCOME

Net premiums and assessments earned	<u>\$277,090</u>
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DEDUCTIONS

Net Losses incurred	88,470
Loss expenses incurred including claims adjustment expenses	4,160
Commissions and brokerage	7,901
Salaries and related items	46,353
Director fees	1,450
Advertising and subscriptions	5,572
Board, bureaus, and association dues	4,999
Insurance and fidelity bonds	10,713
Travel and travel items	2,657
Rent and rent items	6,000
Printing and stationery	11,398
Postage, telephone, and telegraph	7,875
Legal and auditing fees	2,075
Taxes, licenses, and fees	4,015
Total underwriting expenses incurred	<u>111,008</u>
Total underwriting deductions	<u>203,638</u>
Net underwriting gain (loss)	<u>73,452</u>

INVESTMENT INCOME

Net investment income earned	<u>7,019</u>
Net investment gain (loss)	<u>7,019</u>

OTHER INCOME

Total other income	<u>0</u>
Net income after dividends to policyholders and before federal income taxes	<u>80,471</u>
Federal income taxes incurred	<u>0</u>
Net Income	<u>\$80,471</u>

POLICYHOLDERS' SURPLUS ACCOUNT

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Policyholders' Surplus December 31, previous year*	<u>\$623,127</u>	<u>\$536,006</u>	<u>\$581,342</u>	<u>\$586,642</u>	<u>\$456,685</u>
Net income or (loss)	80,471	86,596	(45,716)	(8,283)	129,957
Change in net unrealized capital gains or (losses)	<u>0</u>	<u>525</u>	<u>380</u>	<u>2,983</u>	<u>0</u>
Net change in capital and surplus for the year	<u>80,471</u>	<u>87,121</u>	<u>(45,336)</u>	<u>(5,300)</u>	<u>129,957</u>
Policyholders' Surplus December 31, current year	<u>\$703,598</u>	<u>\$623,127</u>	<u>\$536,006</u>	<u>\$581,342</u>	<u>\$586,642</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Policyholders' Surplus

\$703,598

Total policyholders' surplus, as established by this examination, is the same as what was reported by the Company in its 2019 annual statement. There were no changes made to any asset or liability item as a result of the examination performed as of December 31, 2019.

COMMENTS AND RECOMMENDATIONS

Comments

1. As noted in the "Compliance with Previous Examination Findings" and "Management and Control" sections of this report, the Company does not require conflict of interest disclosure forms to be completed by directors or officers. Maintaining a conflict of interest disclosure form and requiring annual disclosures of officers and directors is considered a best practice because it documents the Company's compliance with Tenn. Code Ann. § 56-3-103, which prohibits Company officers from having a pecuniary interest in any funds of the Company.

It is suggested that the Company create a conflict of interest disclosure form and require annual disclosures from officers and directors.

2. As noted in the "Management and Control" section of this report, the Company is operating under verbal agreements with various third parties.

The Company is encouraged to formalize such verbal agreements in writing and execute with all parties.

3. As noted in the "Accounts and Records" section of this report, the Company did not correctly account for the Farmers' liability premiums as required by the Farmers' liability agreement.

The Company is advised to account for these premiums in accordance with the Farmers' liability agreement.

4. As noted in the "Market Conduct Activities" section of this report, during the period under examination, the Company did not properly appoint its agents, as required by Tenn. Code Ann. §56-6-115.

During the course of this examination, the Company appointed all agents, as is required by Tenn. Code Ann. §56-6-115.

Recommendations

1. As noted in the “Management and Control” section of this report, no evidence of the Board’s approval of the Company’s investments or investment transactions was provided for the examination period. This is not in compliance with the approval requirement set forth in Tenn. Code Ann. § 56-3-408(b)(1) which states: “No investment or loan, except premium finance loans, shall be made by any insurance company, unless the investment or loan has first been authorized by the board of directors or by a committee appointed by the board and charged with the duty of supervising the investment or loan.”

It is recommended that the Company ensure all investment activities are reviewed and approved by the Board in accordance with Tenn. Code Ann. § 56-3-408(b)(1).

2. As noted in the “Accounts and Records” section of this report, the Company did not correctly non-admit premiums that were over ninety (90) days past due in accordance with SSAP No. 6, paragraph 9.

It is recommended that the Company account for and report premiums over ninety (90) days’ past due in accordance with SSAP No. 6, paragraph 9.

3. As noted in the “Accounts and Records” section of this report, the Company did not correctly account for their “Furniture, equipment, and supplies.” The Company admitted its “Furniture, equipment, and supplies” instead of non-admitting it as required by the Instructions, and in accordance with Tenn. Code Ann. § 56-22-109 and SSAP No. 19.

It is recommended that the Company comply with the Instructions in accordance with Tenn. Code Ann. § 56-22-109 and SSAP No. 19.

4. As noted in the “Accounts and Records” section of this report, during the review of the Company’s Statement of Income & Policyholders’ Surplus Account in its 2019 annual statement, it was noted that the Company left blank “Line 14: Net income after dividends to policyholders and before federal income taxes.”

It is recommended that the Company comply with the Instructions in accordance with Tenn. Code Ann. § 56-22-109.

5. As noted in the "Accounts and Records" section of this report, during the review of the Company's Supplemental Compensation Exhibit in 2019 annual statement, it was noted that the Company left blank "Part 3 – Director Compensation (Payroll Taxes Included)."

It is recommended that the Company complete the Exhibit in accordance with the Instructions.

6. As noted in the "Accounts and Records" sections of this report, during the review of the Company's Exhibit E in its 2019 annual statement, it was noted that the Company had incorrectly reported three (3) of the nine (9) interest rates reported on this exhibit. This is not in compliance with the Instructions and Tenn. Code Ann. § 56-22-109.

It is recommended that the Company account for and report its investments pursuant to Tenn. Code Ann. § 56-22-109 and the Instructions.

7. As noted in the "Accounts and Records" section of this report, the Company did not correctly answer question one (1) of the General Interrogatories in its annual statements for the examination period regarding changes to its corporate records.

It is recommended that the Company comply with the Instructions in accordance with Tenn. Code Ann. § 56-22-109.

8. As noted in the "Market Conduct Activities" section of this report, the Company's application form did not contain the fraud statement required by Tenn. Code Ann. § 56-53-111. The statute states that all insurance applications shall contain the following disclosure:

"It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits."

It is recommended that the Company comply with Tenn. Code Ann. § 56-53-111 by adding the disclosure to its applications.

9. As noted in the "Market Conduct Activities" section of this report, the Company did not maintain a complaint log as required by Tenn. Code Ann. § 56-8-104. The Company did not have any formal complaint procedures as described in Tenn. Code Ann. § 56-8-104(11).

It is recommended that the Company create formal complaint procedures and a complaint log to comply with Tenn. Code Ann. §§ 56-8-104 and 56-8-104(11).

CONCLUSION

Rules and procedures as prescribed by the statutes of the State of Tennessee and guidance from the NAIC Handbook, as deemed appropriate, 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 found that as of December 31, 2019, the Company had admitted assets of \$877,963 and liabilities, exclusive of policyholders' surplus, of \$174,365. Thus, there existed for the additional protection of the policyholders, the amount of \$703,598 in the form of policyholders' surplus. Tenn. Code Ann. § 56-22-105(c) requires an insurer of this Company's type to maintain a minimum surplus of \$200,000. For this examination, as of December 31, 2019, the Company maintains surplus sufficient to satisfy that requirement.

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

In addition to the undersigned, James Pearce, Insurance Examiner, and Jay Uselton, CFE, Supervising Examiner, from the State of Tennessee, participated in the work of this examination.

Respectfully submitted,



Dustin Rice
Examiner-in-Charge
State of Tennessee

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of White County Farmers Mutual Fire Insurance Company located in Sparta, Tennessee, dated April 28, 2021, and made as of December 31, 2019, 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.

Dustin Rice

Dustin Rice
Examiner-in-Charge
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 18th day of June, 2021

[Signature]

(NOTARY)

My Commission Expires: 1/6/2025



EXHIBIT B

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

White County Farmers Mutual Fire Insurance Company
P.O. Box 358, 336 North Spring Street
Sparta, TN 38583
Phone: (931) 836-2712 Fax: (931) 836-6472
Donna W. Jones, Sec.-Treas.

June 22, 2021

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 – White County Farmers Mutual Fire Insurance Company

Dear Ms. Little:

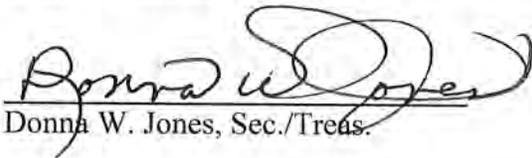
We hereby acknowledge receipt of the final Report of Examination for White County Farmers Mutual Fire Insurance Company, made as of December 31, 2019.

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

Sincerely,



David L. Roberts, President



Donna W. Jones, Sec./Treas.