

# **EXHIBIT A**



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

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**REPORT ON EXAMINATION  
OF THE  
BLOUNT COUNTY MUTUAL FIRE INSURANCE COMPANY  
(NAIC #15967)  
ALCOA, TENNESSEE**

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**AS OF  
DECEMBER 31, 2016**

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Alcoa, Tennessee  
April 10, 2018

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

Dear Commissioner:

Pursuant to your instructions and in accordance with Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-22-115, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), as deemed appropriate, a full-scope financial examination and market conduct review, as of December 31, 2016, has been made of the condition and affairs of:

**BLOUNT COUNTY MUTUAL FIRE INSURANCE COMPANY**

NAIC # 15967  
319 Sanderson Street  
Post Office Box 496  
Alcoa, Tennessee 37701

hereinafter and generally 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”) under rules and regulations established by the State of Tennessee. The examination commenced on August 28, 2017, and was conducted by duly authorized representatives of the TDCI.

**SCOPE OF EXAMINATION**

The last examination of the Company was made as of December 31, 2011. This examination report covers the period from January 1, 2012, to the close of business on December 31, 2016, 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 the 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 annual statement instructions. The examination also included an assessment of prospective risks faced by the Company, based on information obtained during the course of the examination.

Our 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 limited market conduct review was also performed concurrently with the financial examination. See "Market Conduct Activities" section of this report.

Ingram, Overholt & Bean, P.C. was the Company's Certified Public Accountant (CPA) and independent auditor from 2013 through 2016. The CPA's workpapers were reviewed for the most recent year under examination and copies were incorporated into the examination, as deemed appropriate.

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

## **COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS**

Our examination included a review to determine the current status of the Comments and Recommendations in the previous Report on Examination, as of December 31, 2011, which covered the period from January 1, 2007, through December 31, 2011. A summary of the previous Report recommendation and the corrective action taken by the Company is discussed below:

### Recommendation

The Company was recommended to obtain a custodial agreement for investments that meets the requirements of Tenn. Comp. R. & Regs. 0780-1-46-.01 and 0780-1-46-.02.

### Corrective Action

The Company complied with this directive. The Company currently has a custodial agreement with First Tennessee Bank.

## COMPANY HISTORY

The Company was incorporated on March 27, 1905, under the provisions of the Tennessee Business Corporation Act. The Company is a non-profit mutual benefit corporation organized as a county mutual fire insurance company ("county mutual"), pursuant to Tenn. Code Ann. Title 56, Chapter 22. Its purpose is to insure against loss or damage to property due to fire, lightning, hail, tornado, and extended coverage. The Company is limited to providing coverage to residents of Blount County and contiguous counties in the State of Tennessee. The Company commenced business on July 19, 1913.

As of December 31, 2016, the Company was licensed to transact business in the State of Tennessee, pursuant to Tenn. Code Ann. § 56-22-106(a).

## MANAGEMENT AND CONTROL

### MANAGEMENT

#### Directors

Management of the Company is vested in a Board of Directors ("Board"), elected annually by its policyholders ("members") at the annual members' meeting. In accordance with the Bylaws, the Board shall consist of fifteen (15) directors.

The following persons were duly elected by the members to serve on the Board, as of December 31, 2016:

<u>Director</u>	<u>Address</u>
Ron Campbell	Maryville, Tennessee
Elizabeth Gilmore	Maryville, Tennessee
Calvin C. Lynch	Friendsville, Tennessee
John Keller	Maryville, Tennessee
Mose Waters	Maryville, Tennessee
Allen Martin	Walland, Tennessee
Flora Simerly	Maryville, Tennessee
Dan F. Blevens	Walland, Tennessee
Doyle Gray	Maryville, Tennessee
Mike Fugate	Maryville, Tennessee
William T. Bowers III	Walland, Tennessee
Max Coulter	Maryville, Tennessee
Rob Walker	Friendsville, Tennessee
Steve Blair	Maryville, Tennessee
Kim Snoderly	Maryville, Tennessee

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

### **Officers**

The Bylaws of the Company instruct the Board to annually 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, 2016:

#### **Officers**

<b><u>Name</u></b>	<b><u>Title</u></b>
Dan F. Blevens	President, Director
William T. Bowers III	Vice President, Director
Calvin C. Lynch	Secretary, Treasurer, Director

### **Committees**

The Board installed committees to provide oversight for the affairs of the Company. The Board appointed the following Committees:

#### **Executive Committee**

<b><u>Name</u></b>	<b><u>Title</u></b>
Dan F. Blevens	President, Director
William T. Bowers III	Vice President, Director
Calvin C. Lynch	Secretary, Treasurer, Director

#### **Salary Committee**

<b><u>Name</u></b>	<b><u>Title</u></b>
John Keller	Director
Max Coulter	Director
Flora Simerly	Director

#### **Nominating Committee**

<b><u>Name</u></b>	<b><u>Title</u></b>
William T. Bowers III	Vice President, Director
Mose Waters	Director
Ron Campbell	Director

## **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.

Annual and special meetings of the members shall be held at the call of the Board and shall be held at the office of the Company, or at such place as the Board may designate. 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, irrespective of the number of policies owned by any member. No member shall vote by proxy. A quorum for the transaction of business consists of those members actually present and in attendance at the meeting, provided there are as many as fifteen (15) or more members of the Company in attendance, pursuant to the Bylaws.

The Company's members held five (5) annual meetings and no special meetings during the examination period.

## **CONFLICTS OF INTEREST AND PECUNIARY INTEREST**

The Company does not have a formal, written Conflict of Interest Policy. This issue is noted further in the section titled "Comments and Recommendations" later in this report.

## **AFFILIATED COMPANIES**

The Company is licensed as a "county mutual insurance company," 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 are such as are generally found in companies of this type and contain no unusual provisions. 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. There were no amendments to the Bylaws during the period of examination.

### **Meeting Minutes**

The minutes provided a brief summary of the actions of the Company's Board. 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 and twenty (20) regular Board meetings. Minutes of the referenced meetings were reviewed. Investment transactions were approved by the Executive Committee pursuant to Tenn. Code Ann. § 56-3-408(b)(1).

### **SERVICE AGREEMENTS**

The Company had several verbal agreements in place for services during the period under examination. These agreements do not have set durations. The prices and terms associated with these agreements appear to be fair, based on the services provided. See the "Comments and Recommendations" section later in this report.

### **Financial and Tax Preparation Services**

Jonathan K. Dockery, CPA of Maryville, Tennessee provides limited accounting services related to regulatory filings, including preparation of statutory annual statements, quarterly statements, and federal income tax filings.

### **Policy Management Services**

Automated Insurance Management Systems (AIMS) of Richmond, Virginia provides policy management and premium accounting software and support services.

## **FIDELITY BONDS AND OTHER INSURANCE**

The Company is listed as a named insured on a policy which provides employee dishonesty (fidelity) coverage. The Company's fidelity coverage meets the minimum amount suggested in the NAIC Handbook. The policy coverages were inspected and appear to be in-force as of the date of this examination.

Other insurance policies were reviewed and the Company is listed as a named insured on the following insurance coverages maintained by the Company as of December 31, 2016:

Commercial Liability  
Fine Arts Insurance

Property  
Forgery or Alteration

All of the above policies were issued by companies licensed to transact business in the State of Tennessee or by authorized surplus lines insurers.

## **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 Blount County and all counties contiguous thereto in the State of Tennessee, pursuant to Tenn. Code Ann. § 56-22-106(f)(1). The Company writes policies in Blount, Knox, Loudon, Monroe, and Sevier counties in Tennessee.

### **Plan of Operation**

The Company provides its members with coverage on dwellings, rental homes, modular homes, mobile homes, farm buildings, livestock, personal property, farm machinery, and churches in case of loss due to fire, lightning, hail, extended coverage, and tornado.

Policyholders have the option of paying premium annually, semi-annually, or quarterly. The standard deductible is \$500 on basic policies or \$1,000 on broad policies.

The Company's agent performs a visual inspection of the property, photographs the property, and determines its value prior to the issuance of a policy. The Company's Executive Committee approves or rejects all policy applications prepared by the agent. Upon the signing of the completed application by the Company's President 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.

Liability coverage, provided by Farmers Mutual of Tennessee ("Farmers"), is also available to the members of the county mutual if they wish to purchase this additional protection through the Company. This additional protection has been arranged by the Company through a verbal agreement with Farmers. During the period under examination, the Company has been listed as the producer on these policies.

Additionally, the Company accepts premium payments for its policies and the Farmers' liability policies, typically in separate checks each month. The Company remits the Farmers' liability policy premiums to Farmers after receiving a quarterly statement from Farmers. See the "Comments and Recommendations" section later in this report.

## GROWTH OF COMPANY

The following comparative data reflects the growth of the Company for the period under review, as reported by the Company in its respective annual statements:

<u>Year</u>	<u>Net Premiums Earned</u>	<u>Net Incurred Losses</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholders' Surplus</u>	<u>Net Income</u>
2016	\$300,033	\$36,387	\$4,369,505	\$191,133	\$4,178,372	\$101,501
2015	\$311,394	\$105,720	\$4,271,240	\$200,707	\$4,070,533	\$29,141
2014	\$299,759	\$71,484	\$4,573,106	\$530,011	\$4,043,095	\$24,672
2013	\$235,781	\$15,285	\$4,219,832	\$211,818	\$4,008,014	\$18,162
2012	\$289,787	\$152,734	\$1,590,169	\$254,615	\$1,335,554	(\$12,118)

## 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 respective annual statements:

<u>Year</u>	<u>Net Premiums Earned</u>	<u>Net Losses + LAE</u>	<u>Loss Ratio</u>	<u>Premiums Written</u>	<u>Other Expenses</u>	<u>Expense Ratio</u>	<u>Combined Ratio</u>
2016	\$300,033	\$36,387	12.1%	\$295,257	\$289,831	98.2%	110.3%
2015	\$311,394	\$105,720	34.0%	\$315,160	\$333,466	105.8%	139.8%
2014	\$299,759	\$71,484	24.0%	\$299,049	\$327,746	110.0%	134.0%
2013	\$235,781	\$15,285	6.5%	\$268,353	\$317,625	118.4%	124.9%
2012	\$289,787	\$152,734	52.7%	\$290,161	\$297,841	102.6%	155.3%

## ACCOUNTS AND RECORDS

The Company engaged Jonathan K. Dockery, CPA to assist the Company with certain accounting services, preparation of income tax returns, and compilation of certain regulatory filings, including all required financial statements.

The Company's 2016 annual statement was reconciled to the corresponding general ledger account balances. All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. These test checks and reviews revealed no material discrepancies.

As noted above in the "Scope" section of this report, Ingram, Overholt & Bean, P.C. was the CPA and independent auditor for 2013 through 2016.

The Company was not required to file a Management's Discussion and Analysis Report (MD&A) section of the NAIC *Annual Statement Instructions for Property and Casualty Companies*, pursuant to Tenn. Comp. R. & Regs. 0780-01-37.

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

The Company was exempt from filing an actuarial opinion by a qualified actuary with the Commissioner on or before March 1, pursuant to Tenn. Comp. R. & Regs. 0780-1-78-.04(4).

The Company's books and records are located in Alcoa, Tennessee.

### **STATUTORY DEPOSIT**

Pursuant to Tenn. Code Ann. § 56-20-117, the Company was not required to pledge a deposit to the Commissioner of the TDCI in order to lawfully conduct business in the State of Tennessee

### **LITIGATION AND CONTINGENT LIABILITIES**

The Company is not party to any pending legal proceedings, nor were any commitments or contingencies found that would materially affect the Company's financial position or operating results as of December 31, 2016.

### **REINSURANCE**

#### **Specific and Aggregate Excess of Loss Reinsurance**

The Company has an excess of loss reinsurance treaty in effect with Farmers for the purpose of limiting exposure on larger risks. Under the terms of this agreement, the Company retains the first \$50,000 of each risk, per occurrence and reinsures up to \$1,300,000 through a series of two (2) excess layers of coverage in aggregate.

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 SSAP No. 62 and NAIC guidelines. The agreement was found to meet the requirements set forth in Tenn. Code Ann. § 56-22-110.

## **MARKET CONDUCT ACTIVITIES**

In conjunction with this examination, a market conduct review was made of the Company, as of December 31, 2016. The following areas were addressed:

### **Policy Forms and Underwriting Practices**

Pursuant to Tenn. Code Ann. §§ 56-5-303, 56-5-304, 56-5-305, and 56-22-109(b)(1), the Company's policy forms in effect from January 1, 2012, through December 31, 2016, were approved by the TDCI on May 5, 2010.

The Company's premium rates increased by \$1 per \$1,000 of coverage for each of its types of policies. These rate increases were approved by the TDCI on February 2, 2012.

The Company's new broad homeowners' policy form, with a rate of \$6 per \$1,000 of coverage, as opposed to the basic policy with a rate of \$5 per \$1,000, was approved by the TDCI on June 4, 2016.

### **Advertising**

The Company advertises through regular newspaper ads in Blount County. The Company's reputation and products are also communicated to potential policyholders by the Board and the Company's appointed agent via word of mouth.

### **Complaint Handling**

Pursuant to Tenn. Code Ann. § 56-8-104(11), the Company is required to maintain a complete record of all of the complaints it receives. This record should indicate the total number of complaints received, classification by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint. During the period under examination, the TDCI received one (1) complaint from a policyholder. The Department established that the Company's handling of this complaint was appropriate. See the "Comments and Recommendations" section later in this report.

### **Policy Cancellation**

The Company mails a premium notice to its members thirty (30) days before the due date. Policyholders are given sixty (60) days to make their premium payment. Policyholders who refuse or neglect to pay their premiums may be excluded by a majority vote of the Executive Committee, and when thus excluded, the Company shall cancel or withdraw the policy or policies in question. The Company provides 30 days advance notice of the non-renewal of any policy. 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**

All claims open and unpaid, as of the examination date, and claims closed during 2016, were examined for compliance with the Company's policy terms and Tenn. Code Ann. § 56-8-105. No issues or concerns were identified.

## **SUBSEQUENT EVENTS**

During the examination, a review of subsequent events was performed. Examiners noted that the Company entered into a new Excess of Loss Reinsurance Agreement with Farmers effective January 1, 2017. This new Excess of Loss Reinsurance Agreement changes the retention level from \$50,000 to \$100,000 and continues 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.

In March of 2017, the Company notified the TDCI of their intention to raise coverage levels from \$150,000 to \$200,000 per dwelling. Along with the change to the reinsurance agreement above, the Company remains in compliance with Tenn. Code Ann. § 56-22-106(3), since the amount of loss for any single risk would be capped at \$100,000 for the Company.

## FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of income as of December 31, 2016, together with a reconciliation of policyholders' surplus for the period under review, as reported by the Company:

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$3,966,910		\$3,966,910
Real estate:			
Properties occupied by company	142,830		142,830
Investment real estate	142,830		142,830
Cash and short-term investments	110,444		110,444
Premium receivables and agent balances	6,307		6,307
Interest, dividends, and real estate income due and accrued	184		184
Prepaid expenses	<u>2,623</u>	<u>\$2,623</u>	<u>0</u>
<b>Totals</b>	<u>\$4,372,128</u>	<u>\$2,623</u>	<u>\$4,369,505</u>

### LIABILITIES AND POLICYHOLDERS' SURPLUS

Losses	\$17,174
Unearned premiums	149,337
Advance premiums	16,021
Account payable and accrued expense payable	<u>8,601</u>
Total liabilities	191,133
Policyholders' surplus	<u>4,178,372</u>
<b>Total liabilities &amp; policyholders' surplus</b>	<u>\$4,369,505</u>

**STATEMENT OF INCOME**

<b>UNDERWRITING INCOME</b>		
Premiums earned		<u>\$300,033</u>
	<b>DEDUCTIONS</b>	
Net Loss incurred		36,387
Loss adjustment expenses incurred		0
Other underwriting expenses incurred		289,831
Total underwriting deductions		<u>326,218</u>
Net underwriting gain (loss)		(26,186)
	<b>INVESTMENT INCOME</b>	
Net investment income earned		111,367
Net realized capital gains (losses) less capital gains tax		0
Net investment gain (loss)		<u>111,367</u>
	<b>OTHER INCOME</b>	
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		16,320
Total other income		<u>16,320</u>
Net income after dividends to policyholders and before federal income taxes		101,501
Federal income taxes incurred		0
<b>Net income</b>		<u><b>\$101,501</b></u>

## POLICYHOLDERS' SURPLUS ACCOUNT

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Policyholders' Surplus					
December 31, previous year	<u>\$4,070,533</u>	<u>\$4,043,095</u>	<u>\$4,008,014</u>	<u>\$1,335,554</u>	<u>\$2,226,799</u>
Net income or (loss)	101,501	29,141	24,672	18,163	(12,118)
Change in non-admitted assets from prior year	6,338	(1,703)	10,409	2,654,297	(879,127)
Aggregate write-ins for gains and losses in surplus	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	107,839	27,438	35,081	2,672,460	(891,245)
Policyholders' surplus					
December 31, current year	<u>\$4,178,372</u>	<u>\$4,070,533</u>	<u>\$4,043,095</u>	<u>\$4,008,014</u>	<u>\$1,335,554</u>

## ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Policyholders' Surplus

\$4,178,372

Total policyholders' surplus, as established by this examination, is the same as what was reported by the Company in its 2016 annual statement. There were no changes made to any asset or liability items as a result of our examination performed, as of December 31, 2016.

## COMMENTS AND RECOMMENDATIONS

### Comments

1. As noted in the "Service Agreements" and "Territory and Plan of Operation" sections, the Company was operating under several verbal agreements. As a good business practice, the Company should consider formalizing these verbal agreements by reducing them to writing and executing with all parties.
2. As noted in the "Conflicts of Interest and Pecuniary Interest" section of this report, the Company does not have a formal conflict of interest policy to govern the actions of its officers and directors. 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 written annual disclosures of conflicts or potential conflicts of interest.

In order to remedy this issue, the Board has approved an annual conflict of interest certification.

### Recommendations

1. As noted in the "Territory and Plan of Operation" section of this report, the Company facilitates the sale of liability insurance coverage on behalf of Farmers as a service to policyholders who wish to obtain such coverage on properties insured by the Company. The Company has been listed as the producer on Farmers' liability policies. This is a violation of Tenn. Code Ann. § 56-6-106(b), which states, "A business entity may obtain an insurance producer's license; however, only an individual licensed producer or limited lines producer shall sell, solicit or negotiate a contract of insurance in this state." The Company should discontinue the practice of acting as an insurance producer.

Further, as noted in the "Territory and Plan of Operation" section of this report, the Company accepts premium payments for liability policies on behalf of Farmers.

These premiums are held by the Company until a quarterly statement is received from Farmers. Also, as noted above, there is no written agreement between the Company and Farmers. The Company should discontinue the practice of accepting and holding funds on behalf of Farmers without a written agreement. If such funds are to be held by the Company, they should be received and held separately from Company funds and remitted to Farmers monthly in accordance with a written agreement.

In order to remedy the issues noted above regarding the sale of Farmers' liability policies, Farmers is currently working with the Company to develop a written agreement that is satisfactory to both parties and in compliance with Tennessee statutes, rules, and regulations.

2. As noted in the "Complaint Handling" section of this report, the Company does not maintain a complaint record as required by Tenn. Code Ann. § 56-8-104(11). The Company should maintain a complete record of all complaints in accordance with Tenn. Code Ann. § 56-8-104(11).

In order to remedy this issue, the Company has established a complaint log.

## 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 Blount County Mutual Fire Insurance Company.

In such manner, it was determined that, as of December 31, 2016, the Company had admitted assets of \$4,369,505 and liabilities, exclusive of policyholders' surplus, of \$191,133. Thus, there existed for the additional protection of the policyholders surplus funds of \$4,178,372. 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, 2016, the Company maintains surplus in excess of the amount required pursuant to Tenn. Code Ann. § 56-22-105(c).

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

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

Respectfully submitted,



---

A. Jay Uselton, CFE  
Examiner-in-Charge  
State of Tennessee

# AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Blount County Mutual Fire Insurance Company located in Alcoa, Tennessee, dated April 10, 2018, and made as of December 31, 2016, 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.



A. Jay Uselton, CFE  
Examiner-in-Charge  
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 10th day of June, 2018

Mindy C. Walker  
(NOTARY)



My Commission Expires: 7-6-2020

# **EXHIBIT B**



**BLOUNT COUNTY  
MUTUAL FIRE INSURANCE CO.**

(865) 983-0402 OFFICE P.O. BOX 496 ALCOA, TENNESSEE 37701  
STEPHANIE P. PIERCE- AGENT CHRISTY ARNOLD- OFFICE ADMINISTRATOR

June 8, 2018

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 – Blount County Mutual Fire Insurance Company**

Dear Ms. Little:

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

Sincerely,

A handwritten signature in cursive script that reads "Dan F. Blevens".

Dan F. Blevens  
President  
Blount County Mutual Fire Insurance Company  
319 Sanderson Street,  
P.O. Box 496, Alcoa, TN 37701  
865-983-0402  
Fax – 865-983-2810