



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
CONSUMERS INSURANCE USA, INC.
(NAIC # 10204)
MURFREESBORO, TENNESSEE

AS OF
DECEMBER 31, 2017

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Murfreesboro, Tennessee
March 15, 2019

Honorable Julie Mix McPeak
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.") § 56-1-408, a full-scope financial examination and market conduct review, as of December 31, 2017, has been made of the conditions and affairs of:

CONSUMERS INSURANCE USA, INC.

NAIC # 10204
1620 Gateway Blvd.
Murfreesboro, TN 37129

hereinafter generally referred to as the "Company" or "CIUSA" 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 TDCI. This examination was not coordinated with any other states pursuant to National Association of Insurance Commissioners (NAIC) guidelines; however, some aspects of the examination were coordinated with other states for efficiency purposes. Further description of the coordination effort between the states is discussed below under the heading "Scope of Examination."

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2012. This examination covers the period January 1, 2013, through December 31, 2017, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of examination.

The Company is a member of the Motorists Insurance Group (MIG), NAIC Group Code 291. MIG is a large holding company that has insurers domiciled in several states. Ohio is the lead state for MIG. Ohio was not performing an examination of MIG as of December 31, 2017; therefore, this examination was not officially coordinated.

Two other states with companies in MIG, West Virginia and Pennsylvania, were performing examinations of their domestic insurers as of December 31, 2017. For efficiency purposes, some aspects of our examination, such as interviews, were coordinated with the other two states.

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 NAIC in the *Financial Condition Examiners Handbook* ("Handbook"), as deemed appropriate. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, by identifying and assessing inherent risks within the Company, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions.

All significant risks were considered when planning which key activities and accounts would be examined. The key activities included: Investments; Reinsurance; Pricing/Underwriting; Reserving/Claims; Related Party; and Capital and Surplus.

The Company's 2017 annual statement was compared with or reconciled to the corresponding general ledger account balances.

Independent information technology specialist services, provided by Noble Consulting Services, Inc., were utilized in the examination review of the Company's information technology general controls (ITGC).

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

MIG maintains an Internal Audit (IA) Department, which is charged with performing the IA function for all companies within the holding company system. IA activities include Model Audit Rule (MAR) compliance testing. The scope of MAR testing included the Company's internal controls over financial reporting. The examiners reviewed the processes tested and requested the workpapers for specific processes which had been identified as

significant to the key activities and sub-activities being examined. The workpapers were provided and were utilized, where appropriate.

The actuarial firm of Lewis & Ellis, Inc. was utilized in the examination review of the Company's loss reserves.

The Company's Certified Public Accountant (CPA) workpapers were reviewed for the 2017 audit and copies were incorporated into the examination, as deemed appropriate.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

There was one comment and no recommendations noted in the prior examination report as of December 31, 2012. A description of the prior comment and the Company's compliance is described below.

The Company failed to comply with the requirements of Tenn. Code Ann. § 56-11-105(e) by notifying the TDCI of the declarations of dividends within the timeframe allotted in the statute for the dividends paid in 2008 and 2009. The Company was sent a letter by the TDCI notifying them of their non-compliance with the statute after the 2009 dividend. Since that time, the Company has complied with the requirements of Tenn. Code Ann. § 56-11-105(e) by notifying the TDCI of the declarations of dividends.

During the current examination period, the Company paid one ordinary dividend in 2014 and gave proper notice to the TDCI, as required by Tenn. Code Ann. §§ 56-11-105(e) and 56-11-106(b).

COMPANY HISTORY

The Company is a stock property and casualty insurer incorporated on July 27, 1994. On April 21, 1995, the Company commenced business under a Certificate of Authority issued by the TDCI. The Company was a wholly-owned subsidiary of Consumers Insurance Group, Inc. (CIG).

On August 31, 2014, CIG, the owner of 100% of the stock of the Company, was acquired by Motorists Mutual Insurance Company ("Motorists Mutual"). The acquisition of CIG by Motorists Mutual was approved by the TDCI on August 29, 2014. Motorists Mutual is the ultimate parent of the Company. CIG was dissolved on June 30, 2017 and CIG's assets, including 100% of the stock of the Company, were distributed to Motorists Mutual.

In April 2017, Motorists Mutual and BrickStreet Mutual Insurance Company (along with its subsidiaries, collectively "BrickStreet") affiliated, with Motorists Mutual remaining as the ultimate controlling entity of MIG. Prior to the affiliation, West Virginia was the lead state of BrickStreet.

At December 31, 2017, the Company had authorized capital stock of one thousand (1,000) shares of common stock with a par value of \$3,000 per share, all of which were issued and outstanding for a capital paid up of \$3,000,000. All of the Company's shares are owned by Motorists Mutual.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The Company is managed by a Board of Directors ("Board") who shall be elected at the annual meeting of the shareholders. Directors need not be shareholders of the corporation.

The Company has six (6) directors, as of December 31, 2017. A majority of directors constitutes a quorum. Directors serve until the next annual meeting of the shareholders, and thereafter, until replaced.

The following persons were duly elected by the shareholders on April 25, 2017, and were serving as members of the Board, as of December 31, 2017:

<u>Name</u>	<u>Principal Occupation</u>
Gregory Arthur Burton	Executive Chairman of Motorists Group
Grady Brendan Campbell	Executive V. P. of Commercial Lines of Motorists Group
Amanda C. Farnsworth	Retired – Hilliard Lyons Investment Firm
David Lynn Kaufman	Chief Executive Officer of Motorists Group
Thomas J. Obrokta Jr.	President and COO of Motorists Group
Charles D. Stapleton	Executive V. P. of Project Management of Motorists Group

Officers

The Company has four (4) officer positions. The officers are elected during the annual Board meeting, and serve thereafter, until replaced.

The following officers were duly elected by the Board on April 25, 2017, and were serving as officers of the Company, as of December 31, 2017:

<u>Name</u>	<u>Title</u>
David Lynn Kaufman	Chief Executive Officer
Grady Brendan Campbell	President
Marchelle E. Moore	Secretary
James Christopher Howat	Treasurer and Chief Financial Officer

Committees

The Company has the following committees:

CIUSA Committees

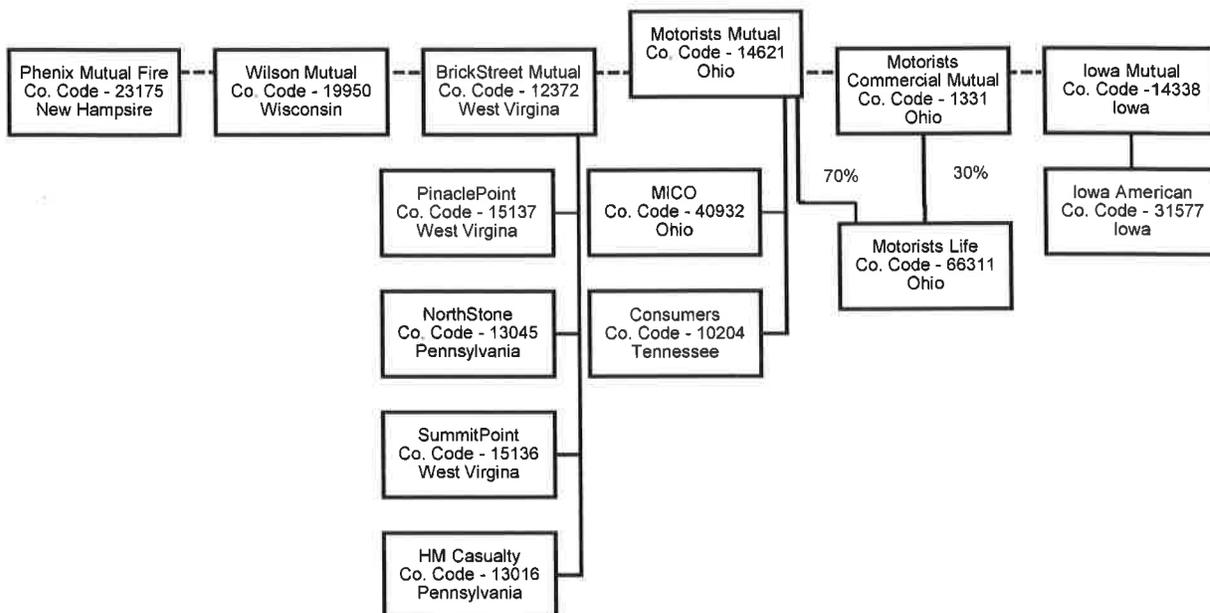
Executive
Audit
Investment
Governance
Compensation

CONTROL

The Company is a member of MIG, an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(7), and as such, is subject to the Insurance Holding Company System Act of 1986, set forth in Tenn. Code Ann. §§ 56-11-101, *et seq.* Motorists Mutual files a holding company registration statement annually, as required by Tenn. Code Ann. § 56-11-105. The Company is one hundred percent (100%) owned by Motorists Mutual, which owns all of the Company's outstanding shares.

The following organizational chart shows all of the insurance companies and their respective domiciliary states within MIG:

Organizational Chart



DIVIDENDS

During the period of examination, the Company declared and paid one ordinary dividend to its shareholders. There were no extraordinary dividends paid during the examination period. The Company gave proper notice of its 2014 ordinary dividend to the TDCI, as required by Tenn. Code Ann. §§ 56-11-105(e) and 56-11-106(b).

The following table lists each dividend amount and the date the Company notified the TDCI of the dividend.

<u>Year</u>	<u>Ordinary (O) or Extraordinary (E)</u>	<u>Notification Date</u>	<u>Dividend Amount</u>
2014	O	04/24/2014	\$650,000
Total paid during period of Exam			\$650,000

CORPORATE RECORDS

The minutes of meetings of the Company's shareholders, Board, and Committees were reviewed for the period under examination. They were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies. The review of the

minutes indicates that all investment transactions were approved by the Board pursuant to Tenn. Code Ann. § 56-3-408(b)(1).

The original Charter of the Company was filed with the Tennessee Secretary of State on July 27, 1994. No amendments or restatements were made to the Company's Charter during the period of examination.

The Bylaws of the Company in effect at December 31, 2017, are the Company's Amended and Restated Bylaws that were adopted by the Board on July 31, 2002, except for the one (1) amendment noted below. One (1) Amendment was made to the Company's Bylaws during the period of examination. In August 2014, the Board adopted an amendment to its Bylaws that the number of directors shall be determined by the shareholders by resolution adopted from time to time, except that if no such determination is made, the number of directors shall be fifteen (15).

Although the 2014 corporate records of the Company indicated that the Bylaws had been amended, the Company answered "No" to a General Interrogatory question in its 2014 Annual Statement regarding any amendments to the Bylaws. See "Comments and Recommendations" section later in this report.

AGREEMENTS WITH PARENT AND AFFILIATES

The Company had the following significant agreements with its parent and affiliated companies in effect, as of December 31, 2017:

Motorists Reinsurance Pooling Agreement

Effective January 1, 2014, the Company became party to the Motorists Reinsurance Pooling Agreement ("Pooling Agreement"). Under the Pooling Agreement, the Company cedes to MIG all of their insurance business and assumes from MIG the amount of three percent (3%). The Pooling Agreement was approved by the TDCI on December 18, 2014, with a retroactive effective date of January 1, 2014.

On February 17, 2017, the Company filed an Amended and Restated Pooling Agreement to add the BrickStreet Companies to the Pooling Agreement, effective January 1, 2018. The Amended and Restated Pooling Agreement adjusts the pooling percentage of the Company to two and one tenth percent (2.1%). The Amended and Restated Pooling Agreement was approved by the TDCI on April 21, 2017.

Further details of the Pooling Agreement are included under the "Reinsurance Agreements" section later in this report.

Tax Sharing Agreement

The Company entered into a Tax Sharing Agreement with its parent, Motorists Mutual, following its acquisition of the Company in August 2014. The Company was added to the Tax Sharing Agreement without a Form D filing with the TDCI, as required by Tenn. Code Ann. § 56-11-106(a)(2). Following an inquiry by the TDCI to the Company in 2016 about the Tax Sharing Agreement, it was determined that a proper Form D filing had not occurred. This Tax Sharing Agreement was filed with the TDCI on a Form D on December 29, 2016, and was approved for a retroactive effective date of November 6, 2014. See “Comments and Recommendations” section later in this report.

The Tax Sharing Agreement states the Company has elected, through the provisions of the Internal Revenue Code, to be included in its parent’s consolidated tax return. The Agreement specifies that the tax liability of each member shall be allocated in accordance with Section 1.1552-1(a)(2)(ii) of the Income Tax Regulations. The consolidated tax liability is allocated to each member of the consolidated group based upon the percentage of each member’s tax computed on a separate return basis to the total tax so computed for all members.

TERRITORY AND PLAN OF OPERATION

TERRITORY

The Company is a stock for-profit property and casualty insurer licensed to transact business in twenty (20) states, although it is currently only writing business in seven (7) states. Those states are Alabama, Arkansas, Illinois, Indiana, Missouri, Tennessee, and Virginia. Certificates of Authority granted by the licensed states were reviewed and found to be in effect at year-end 2017.

The Company currently has no applications pending for admission to any other states or territories. Premium tax records were reviewed for all states in which the Company writes business and no exceptions were noted.

PLAN OF OPERATIONS

The Company underwrites private passenger and commercial automobile insurance utilizing a network of independent agents. The Company was purchased by Motorists Mutual in 2014, and as a result of this purchase, they are now included within the plan for MIG. MIG focuses its efforts and aligns its long-term strategy on its key stakeholders: policyholders, agents, and employees. This focus has caused MIG to move away from evaluating individual entity performance within the Group and to focus on performance in three (3) product lines: Commercial Lines/Life, Personal Lines, and Workers’ Compensation & Strategic Accounts.

MIG embarked on updating its service platform in 2016. The initiative to modernize and streamline its legacy systems will allow MIG to transform its business processes, customer interaction, and cost structure. Modernizing the entities' service platform will allow MIG to expand its use of analytics and streamline the time it takes to make informed business decisions.

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 its annual statements as filed with the TDCI:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2017	\$65,712,185	\$39,509,800	\$26,202,385	\$21,667,899	(\$2,588,299)
2016	\$71,581,071	\$39,108,424	\$32,472,646	\$21,499,921	\$767,877
2015	\$70,719,931	\$39,752,931	\$30,967,001	\$21,654,632	\$702,585
2014	\$72,031,162	\$41,700,980	\$30,330,182	\$21,441,835	\$1,911,957
2013	\$54,957,308	\$34,906,297	\$20,051,011	\$37,610,260	\$980,328

LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements, the ratios of losses and loss adjustment expenses (LAE) incurred to earned premiums, for the period subject to this examination were as follows:

<u>Year</u>	<u>Losses and LAE</u>	<u>Earned Premiums</u>	<u>Loss Ratio</u>
2017	\$18,087,404	\$21,667,899	83.48%
2016	\$13,784,495	\$21,499,921	64.11%
2015	\$13,956,245	\$21,654,632	64.45%
2014	\$13,715,698	\$21,441,835	63.97%
2013	\$27,209,849	\$37,610,260	72.35%

REINSURANCE AGREEMENTS

As noted in the section "Agreements With Parent And Affiliates", the Company participates in a quota share Pooling Agreement with members of MIG. Under the Pooling Agreement, the Company cede to MIG all of their insurance business and assumes from MIG the amount of three percent (3%). All premiums, losses, loss adjustment expenses,

and underwriting expenses are allocated among the participants on the basis of each company's participation percentage in the Pooling Agreement. The Pooling Agreement provides indemnification against loss or liability relating to insurance risk and has been accounted for as reinsurance. The Pooling Agreement does not relieve each participant of its primary liability as the originating insurer.

The Pooling Agreement was Amended and Restated to add the BrickStreet Companies to the Pooling Agreement effective January 1, 2018, and to adjust the pooling percentages of the pool participants. Effective January 1, 2018, the Company's pooling percentage is now two and one tenth percent (2.1%).

MIG also has Multiple Line Excess of Loss coverage, Casualty Excess of Loss coverage, Property Per Risk Excess of Loss coverage, Workers Compensation Excess of Loss coverage, and CAT reinsurance coverage in which all MIG companies, including the Company, are listed as covered participants and covers the period January 1, 2017, through January 1, 2018.

The reinsurance agreements contained acceptable provisions of reporting responsibility of the ceding entity, payment terms, premium taxes, termination clauses, and ceding clauses. The Company's reinsurance agreements transferred risk in accordance with Statement of Statutory Accounting Principles (SSAP) No. 62R and NAIC guidelines.

ACCOUNTS AND RECORDS

During the course of the examination, certain balances were tested and amounts were traced from the Company's trial balance to the annual statement. 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. The Company's risk-based capital filings were reviewed. These test checks and reviews revealed no material discrepancies.

The Company's books and records are located in Columbus, Ohio.

MARKET CONDUCT ACTIVITIES

In conjunction with this examination, a market conduct review was performed. The following areas were reviewed:

Operations and Management Standards

Company anti-fraud initiatives were examined to determine if they are reasonably designed to prevent, detect, or mitigate fraudulent insurance acts. Company procedures and policies relating to privacy were reviewed to determine compliance with Tenn. Code Ann. § 56-8-104(19). No issues were noted.

Complaint Handling Standards

The Company maintains a complaint register, as required by various state Unfair Trade Practices Acts, and the register and the accompanying files are maintained for a minimum of five (5) years in accordance with statutory requirements. The Company's complaint procedures and complaint register were examined in accordance with requirements of Tenn. Code Ann. § 56-8-104(11) and the NAIC 2017 *Market Regulation Handbook*.

During the examination, it was determined that not all of the Company's complaints received were entered on their complaint register as required by Tenn. Code Ann. § 56-8-104(11). See "Comments and Recommendations" section later in this report.

Marketing and Sales Standards

Advertising items were selected for examination. Advertising items were examined in accordance with Tenn. Code Ann. § 56-8-104(1) and the NAIC *Market Regulation Handbook* (Chapter 16 – Marketing and Sales) and were found to be in compliance.

Producer Licensing Standards

Tenn. Code Ann. §§ 56-6-101, *et seq.*, requires the Company to sell their products and services through producers who are properly licensed and appointed by the Company. In the examination of producer licensing, a random sample of producers were selected, and their state issued licensure and appointment by the Company were verified. As a result of examination, no issues or concerns were identified.

Policyholder Services

The Company's timeliness of response to policyholder requests, provision of adequate disclosures, and compliance with applicable statutes and rules were examined. The Company was found to be in compliance with the relevant market conduct standards.

Underwriting and Rating Standards

In the examination of the Company's underwriting procedures and policy administration, policy files for open and closed policies were reviewed in accordance with established Company guidelines. During the examination of these contracts, there were no instances of unfair methods of competition or unfair or deceptive acts found. Underwriting procedures and policy administration conducted by the Company appear to be in compliance with established Company guidelines.

The examiners reviewed a sample of the policy forms that were used by the Company during the period of examination. All rates were noted, without exception, as having been filed with the TDCI prior to their use in accordance with Tenn. Code Ann. § 56-35-111. The filings are consistent in form and included appropriate documents.

Claims Review

In the examination of claims handling practices, the Company's efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with applicable statutes and rules were examined. The Company's claims were properly documented and handled in accordance with the Company's policy provisions and applicable statutes and rules. No issues or concerns were identified.

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed. No events were noted that required additional disclosure in this examination report. Our review confirmed the Company's disclosures in its 2017 Annual Statement and in its Letter of Representation. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2017, that could have a material effect on the Company's financial condition.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of income, as of December 31, 2017, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2017 Annual Statement. There were some immaterial differences noted in the Company's financial statements due to rounding.

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$30,990,757		\$30,990,757
Common stocks	11,160,457		11,160,457
Cash and cash equivalents	3,031,754		3,031,754
Other invested assets	1,686,658		1,686,658
Receivable for securities	32,192		32,192
Investment income due or accrued	257,936		257,936
Premiums and considerations:			
Uncollected premiums and agents balances in the course of collection	1,538,101	\$1,943	1,536,158
Deferred premiums and agents balances and installments booked but deferred and not yet due	5,455,693		5,455,693
Reinsurance:			
Amounts recoverable from reinsurers	1,276,156		1,276,156
Funds held by or deposited with reinsured companies	6,360,440		6,360,440
Current federal income tax recoverable	84,244		84,244
Net deferred tax asset	2,767,235	1,334,432	1,432,803
EDP equipment and software	205,169	32,805	172,363
Furniture and equipment	628	628	0
Receivables from parent, subsidiaries and affiliates	1,781,711		1,781,711
Aggregate write-ins for other than invested assets	<u>617,304</u>	<u>164,443</u>	<u>452,861</u>
Totals	<u>\$67,246,435</u>	<u>\$1,534,251</u>	<u>\$65,712,185</u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

Losses		\$14,816,685
Reinsurance payable on paid losses and LAE		1,093,769
Loss adjustment expenses		3,713,191
Commissions payable, contingent commissions and other similar charges		678,756
Other expenses		397,682
Taxes, licenses and fees		217,377
Unearned premiums		9,782,105
Advance premium		93,998
Dividends declared and unpaid: Policyholders		149,926
Ceded reinsurance premiums payable		1,496,261
Funds held by company under reinsurance treaties		5,710,806
Amounts withheld or retained by company for account of others		333,487
Payable to parent, subsidiaries and affiliates		273,994
Payable for securities		10,246
Aggregate write-ins for liabilities		<u>741,518</u>
Total Liabilities		\$39,509,800
Common capital stock	\$3,000,000	
Gross paid in and contributed surplus	18,246,000	
Unassigned funds (surplus)	<u>4,956,385</u>	
Total Surplus as regards policyholders		<u>26,202,385</u>
Totals		<u>\$65,712,185</u>

STATEMENT OF INCOME

Underwriting Income

Premiums earned		\$21,667,899
Losses incurred	\$14,365,083	
Loss adjustment expenses incurred	3,722,321	
Other underwriting expenses incurred	<u>9,182,799</u>	
Total underwriting deductions		<u>27,270,202</u>
Net underwriting gain/(loss)		(5,602,303)

Investment Income

Net investment income earned	820,828	
Net realized capital gains or (losses)	<u>143,800</u>	
Net investment gain/(loss)		964,628

Other Income

Net gain/(loss) from agents balances charged off	(10,992)	
Finance and service charges not included in premiums	105,806	
Aggregate write-ins for miscellaneous income	<u>(18,433)</u>	
Total other income		<u>76,380</u>
Net income before dividends to policyholders, after capital gains tax and before federal income taxes		(4,561,295)
Dividends to policyholders		<u>120,911</u>
Net income, after dividends to policyholders, after capital gains tax and before federal income taxes		(4,682,206)
Federal income taxes incurred		<u>(2,093,907)</u>
Net Income		<u>(\$2,588,299)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Capital and Surplus					
December 31, previous year	<u>\$32,472,646</u>	<u>\$30,967,001</u>	<u>\$30,330,182</u>	<u>\$20,051,011</u>	<u>\$19,053,825</u>
Net income or (loss)	(2,588,299)	767,877	702,585	1,911,957	980,328
Change in net unrealized capital gains or (losses)	352,732	4,340	(4,340)	0	0
Change in net deferred income tax	664,225	345,572	313,662	(2,195,874)	(350,374)
Change in non-admitted assets	(1,061,998)	387,856	(357,778)	1,213,088	367,229
Cumulative effect of changes in accounting principles	(3,636,921)	0	0	0	0
Surplus adjustments: Paid in	0	0	0	10,000,000	0
Dividends to stockholders	0	0	0	(650,000)	0
Aggregate write-ins for gains and losses in surplus	0	0	(17,310)	0	0
Net change in capital and surplus for the year	<u>(6,270,262)</u>	<u>1,505,646</u>	<u>636,818</u>	<u>10,279,171</u>	<u>997,183</u>
Capital and Surplus					
December 31, current year	<u>\$26,202,385</u>	<u>\$32,472,646</u>	<u>\$30,967,001</u>	<u>\$30,330,182</u>	<u>\$20,051,008</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Surplus as Regards Policyholders

\$26,202,385

Total surplus as regards policyholders, as established by this examination, is the same as what was reported by the Company in its 2017 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed, as of December 31, 2017.

COMMENTS AND RECOMMENDATIONS

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

Comments

There were no comments noted during the completion of this examination.

Recommendations

1. As noted in the "Corporate Records" section in this report, the Company incorrectly answered a question in their 2014 Annual Statement General Interrogatories related to amendment of its Bylaws. It is recommended the Company comply with the NAIC Annual Statement Instructions by answering the general interrogatory questions correctly as required by Tenn. Code Ann. § 56-1-501.
2. As noted in the "Agreements with Parent and Affiliates" section in this report, it was determined the Company had not made a Form D filing with the TDCI as required by Tenn. Code Ann. § 56-11-106(a)(2) during the period of examination. After determining the Form D filing had not occurred, the Company filed the Form D with the TDCI on December 29, 2016, and was approved for a retroactive effective date of November 6, 2014. It is recommended that the Company maintain compliance with Tenn. Code Ann. § 56-11-106(a)(2) by making the required filings when needed.
3. As noted in the "Complaint Handling Standards" section in this report, it was determined that not all of the Company's complaints received were entered on its complaint register as required by Tenn. Code Ann. § 56-8-104(11). It is recommended that the Company enter all of its complaints received onto its complaint register as required by Tenn. Code Ann. § 56-8-104(11).

CONCLUSION

The customary insurance examination practices and procedures, as promulgated by the NAIC, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Consumers Insurance USA, Inc.

In such manner, it was found that, as of December 31, 2017, the Company had admitted assets of \$65,712,185 and liabilities, exclusive of surplus as regards policyholders, of \$39,509,800. Thus, there existed for the additional protection of the policyholders, the amount of \$26,202,385 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds. Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum capital of \$1,000,000 and minimum surplus of \$1,000,000. For this examination, as of December 31, 2017, the Company maintains sufficient capital and surplus as required pursuant to Tenn. Code Ann. §§ 56-2-114 and 56-2-115.

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, Jody Fox, Insurance Examiner, and Bryant Cummings, CFE, MCM, Assistant Chief Examiner, from the State of Tennessee; Ryne Davison, CFE, Insurance Examiner from Lewis & Ellis, Inc.; Mike Mayberry, FSA, MAAA, and Glenn Tobleman, FCAS, MAAA, of the actuarial firm Lewis & Ellis, Inc., Richardson, Texas; Carol Riley, AES, CISA, CGEIT, CRISC, and Stefan Obereichholz-Bangert, AES, CISA, CISM, of the contracting firm Noble Consulting Services, Indianapolis, Indiana 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 Consumers Insurance USA, Inc. located in Murfreesboro, Tennessee, dated March 15, 2019, and made as of December 31, 2017, 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

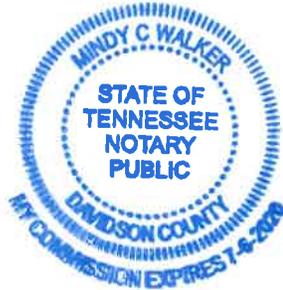
State Tennessee

County Davidson

Subscribed to and sworn before me

this 31st day of May, 2019

Mindy C. Walker
(NOTARY)



My Commission Expires: 7.6.2020

EXHIBIT B

David L. Kaufman, **Chief Executive Officer**

June 3, 2019

VIA CERTIFIED MAIL

E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135

RE: Acceptance of Report of Examination – Consumers Insurance USA, Inc.

Dear Ms. Little:

We hereby acknowledge receipt of and thank you for your final Report of Examination for Consumers Insurance USA, Inc., a wholly-owned subsidiary of Motorists Mutual Insurance Company, made as of December 31, 2017. Your staff is to be commended for their professionalism and thoroughness in conducting the examination.

Consumers Insurance USA, Inc. accepts the report as written with no rebuttals or exceptions. Thank you for the recommendations you provided in the report. For your third recommendation on page 17, please note that while we agree that complaints were not properly entered into the complaint register, your examiners found no evidence that complaints were not handled timely. We appreciated your patience with us during a time when in addition to your examinations we were undergoing examinations of affiliated companies by West Virginia and Pennsylvania, preparing for a financial condition examination by Ohio and a West Virginia market conduct examination, onboarding KPMG as our new auditors, and continuing our integration of the BrickStreet Companies into the Motorists Insurance Group.

Very truly yours,



David L. Kaufman
Chief Executive Officer

cc: A. Jay Uselton, CFE, Examiner-in-Charge