EXHIBIT A
STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF THE

FARMERS MUTUAL FIRE INSURANCE COMPANY

OF

GREENE COUNTY
(NAIC # 15981)
GREENEVILLE, TENNESSEE

AS OF
DECEMBER 31, 2016
TABLE OF CONTENTS

Introduction ................................................................................................................. 1
Scope of Examination .................................................................................................... 1
Compliance with Previous Examination Findings ....................................................... 2
Company History .......................................................................................................... 4
Management and Control .............................................................................................. 4
  Management .................................................................................................................. 4
  Control .......................................................................................................................... 6
  Conflicts of Interest and Pecuniary Interest ................................................................. 6
  Corporate Records ........................................................................................................ 6
Service Agreements ....................................................................................................... 7
Fidelity Bond and Other Insurance ................................................................................ 7
Territory and Plan of Operations .................................................................................... 8
Growth of Company ....................................................................................................... 9
Loss Experience .............................................................................................................. 9
Accounts and Records ................................................................................................. 9
Litigation and Contingent Liabilities ............................................................................. 10
Reinsurance ................................................................................................................ 10
Market Conduct Activities ........................................................................................... 11
Subsequent Events ....................................................................................................... 12
Financial Statements ................................................................................................... 13
  Assets .......................................................................................................................... 13
  Liabilities and Policyholders' Surplus .......................................................................... 13
  Statement of Income .................................................................................................... 14
Analysis of Changes in Financial Statements ............................................................. 16
Comments and Recommendations ............................................................................. 16
Conclusion ................................................................................................................... 18
Affidavit ......................................................................................................................... 19
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, a full-scope financial examination and market conduct review, as of December 31, 2016, has been made of the condition and affairs of:

Farmers Mutual Fire Insurance Company of Greene County
NAIC # 15981
921 W Main St.
Greeneville, Tennessee 37743

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 the rules established by the State of Tennessee. The examination commenced on December 4, 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 performed concurrently with the financial examination. See the “Market Conduct Activities” section of this report.

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 those findings and the corrective actions taken by the Company is discussed below:

Recommendation #1
It is recommended that the Company account for installment premium receivable in accordance with NAIC Statements of Statutory Accounting Principles (SSAP) #4 and #6.

Corrective Action
The Company is properly accounting for installment premium receivables in accordance with NAIC SSAP #4 and #6 in its annual statements.

Recommendation #2
It is recommended that the Company account for written, earned, and unearned premium for each policy in accordance with NAIC SSAP #53.
Corrective Action
The Company has implemented a new premium management system, Automated Insurance Management Systems (AIMS), of Richmond, Virginia, for managing premiums. The Company is properly accounting for written, earned, and unearned premiums in accordance with NAIC SSAP #53 in its annual statements.

Recommendation #3
It is recommended that the Company account for ceded reinsurance premiums payable pursuant to NAIC SSAP #62.

Corrective Action
The Company is properly accounting for ceded reinsurance premiums payable in accordance with revised NAIC SSAP #62R in its annual statements.

Recommendation #4
It is recommended that the Company file Form 1120PC and pay any taxes, penalties, and interest due to the United States Department of the Treasury. It is further recommended that the Company account for any federal income taxes payable in future annual statement filings.

Corrective Action
The Company is filing Form 1120PC with the federal government. The Company is accounting for federal income taxes on its annual statements.

Recommendation #5
It is recommended that the Company account for premium held by the Company on behalf of other insurance companies in future annual statement filings pursuant to the Commissioner’s Directive, NAIC SSAP #67, the annual statement instructions for Tennessee county mutual insurance companies, and Tenn. Code Ann. § 56-22-109(a)(4).

Corrective Action
The Company is accounting for premiums held by the Company on behalf of others in accordance with NAIC SSAP #67 in its annual statements.

Recommendation #6
In the previous examination report, it was reported that the Company was operating in a Hazardous Financial Condition, as defined under Tenn. Comp. R. & Regs. 0780-1-66-.03(1), due to a material financial loss experienced as a result of employee theft in 2012 and the lack of competency in management.
Corrective Action

In addition to filing a claim with its insurance carriers who provided the Company coverage through a commercial general liability policy and commercial crime policy, the Company has received $30,000 in restitution from various individuals who were charged and convicted.

The Company has changed Board of Directors ("Board") leadership, management, and personnel. The Company has implemented a series of new policies, processes, and controls to mitigate the chance of fraud or theft. The Company has segregated duties, added additional reviews of accounts, hired an independent claims adjustor, and added a two-party authorization in order to liquidate the Company's certificates of deposit. The Company was determined to no longer be operating in a Hazardous Financial Condition.

COMPANY HISTORY

The Company incorporated on September 24, 1896, 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. The Company was formed in order to insure dwellings, barns, and other buildings, along with their contents, horses, mules, and cattle against loss by fire, wind, or lightning. The Company commenced business on September 19, 1896.

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, elected annually by its policyholders ("members") at the annual members' meeting. In accordance with the Bylaws, the Board shall consist of nine (9) directors.
The following persons were duly elected by the members to serve on the Board, as of December 31, 2016:

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnny Ottinger</td>
<td>Greeneville, Tennessee</td>
</tr>
<tr>
<td>Don Swanay</td>
<td>Chucky, Tennessee</td>
</tr>
<tr>
<td>Curtis Holland</td>
<td>Greeneville, Tennessee</td>
</tr>
<tr>
<td>Wayland Huff</td>
<td>Greeneville, Tennessee</td>
</tr>
<tr>
<td>David Myers</td>
<td>Mosheim, Tennessee</td>
</tr>
<tr>
<td>Brenda Sexton</td>
<td>Greeneville, Tennessee</td>
</tr>
<tr>
<td>Grady Shelton</td>
<td>Greeneville, Tennessee</td>
</tr>
<tr>
<td>Alford Taylor</td>
<td>Mosheim, Tennessee</td>
</tr>
<tr>
<td>Tim Wisecarver</td>
<td>Mohawk, Tennessee</td>
</tr>
</tbody>
</table>

Three (3) directors are elected at each annual members’ meeting. The directors are elected for a three (3) year term. A majority of the Board constitutes a quorum, as defined by the Bylaws.

**Officers**

The Bylaws of the Company instruct the Board to annually elect 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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnny Ottinger</td>
<td>President, Director</td>
</tr>
<tr>
<td>Alford Taylor</td>
<td>Vice President, Director</td>
</tr>
<tr>
<td>Don Swanay</td>
<td>Secretary, Treasurer, Director</td>
</tr>
</tbody>
</table>

**Committees**

The Board appointed committees to provide oversight for the affairs of the Company as follows:

<table>
<thead>
<tr>
<th>Executive Committee</th>
<th>Advisory Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnny Ottinger</td>
<td>Curtis Holland</td>
</tr>
<tr>
<td>Don Swanay</td>
<td>David Myers</td>
</tr>
<tr>
<td>Alford Taylor</td>
<td>Tim Wisecarver</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audit Committee</th>
<th>Building Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alford Taylor</td>
<td>Curtis Holland</td>
</tr>
<tr>
<td>Brenda Sexton</td>
<td>David Myers</td>
</tr>
<tr>
<td>Curtis Holland</td>
<td>Tim Wisecarver</td>
</tr>
<tr>
<td>David Myers</td>
<td></td>
</tr>
</tbody>
</table>
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. The Company’s members held five (5) annual meetings and no special meetings during the examination period.

CONFLICTS OF INTEREST AND PECUNIARY INTEREST
The Board adopted a formal, written “Conflict of Interest Policy”. The policy prohibits any director, officer, or committee member having any investment authority from accepting any fee, brokerage, commission, gift, or other consideration for any loan, deposit, purchase, sale, payment, or exchange made by or on behalf of the Company, or from being pecuniarily interested in any such purchase, sale, or loan, in accordance with Tenn. Code Ann. § 56-3-103.

A current 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.

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.

Bylaws
The Bylaws were reviewed and found to contain key provisions noted within insurance companies. The Bylaws may be amended or repealed, or new Bylaws may be drafted and adopted, by the affirmative vote of the majority 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. During the period of examination, there were thirty (30) Board meetings and five (5)
members meetings. Minutes of the referenced meetings were reviewed. Investment transactions were approved by the Board, pursuant to Tenn. Code Ann. § 56-3-408(b)(1).

SERVICE AGREEMENTS

Financial and Tax Preparation Services
Teresa Whaley, CPA, with the David M. Ellis, CPA firm of Greeneville, Tennessee provides limited accounting services related to regulatory filings and federal income tax filings.

Legal Services
Attorney Roger Woolsey of Greeneville, Tennessee provides legal services and consultation to the Company.

Policy Management Services
AIMS provides policy management and premium accounting software and support services.

Claims Adjustment Services
Charles Baxter provides claims adjustment services on an as-needed basis.

FIDELITY BOND AND OTHER INSURANCE

The Company is listed as a named insured on a commercial crime policy which provides coverage materially similar to that of a fidelity bond. The Company's fidelity coverage during the period under examination did not meet the minimum amount suggested in the NAIC Handbook. The Company subsequently increased its coverage to meet the minimum amount suggested. See the “Comments and Recommendations” section later in this report.

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:

- Liability & Medical
- Property

These policies were inspected and appear to be in-force as of the date of this examination. 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 OPERATIONS

Territory
The Company's current Certificate of Authority (COA) was issued by the TDCI on October 19, 2010, and authorized the transaction of the business of property insurance in the State of Tennessee. The COA is valid until suspended or revoked and allows the Company to transact business operations in all counties contiguous to Greene County in the State of Tennessee, pursuant to Tenn. Code Ann. § 56-22-106(f)(1). The Company writes policies in Greene, Washington, Hawkins, Cocke, Sullivan, Hamblin, and Unicoi counties in Tennessee.

Plan of Operations
The Company provides its members with coverage on rural property and churches, schools, residences, barns, outbuildings, carpenter shops, tools and equipment, all household goods, farming tools and equipment, and all other personal property commonly used in farming in case of loss due to fire, lightning or windstorm, including extended coverage.

The Company's agents perform a visual inspection, photograph the property, and determine its value prior to the issuance of a policy. The Company's President, Secretary/Treasurer, and District Director approve or reject all policy applications prepared by the agents. The policy is bound upon the President's and District Director's signatures of the completed application and collection of the initial billed premium. The policy is issued upon the signature of the President and District Director and then mailed to the member.

Policyholders have the option of paying premiums annually, semi-annually, or quarterly, and premiums are first due beginning on the policy anniversary date.

Liability coverage, provided by Farmers Mutual of Tennessee (FMT), is also available to the members of the county mutual if they wish to purchase this additional protection through the Company. The Company accepts premium payments for its policies and the FMT liability policies, often in one check. The Company remits the FMT liability policy premiums, to FMT after receiving a quarterly statement from FMT. The Company receives a commission on every FMT liability policy sold. There is no written agreement between the Company and FMT regarding the sale neither of this optional liability insurance nor for the handling of funds. 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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Premiums Earned</th>
<th>Net Premiums Incurred</th>
<th>Admitted Assets</th>
<th>Liabilities</th>
<th>Policyholders’ Surplus</th>
<th>Net Income (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$666,621</td>
<td>$369,685</td>
<td>$1,982,706</td>
<td>$504,030</td>
<td>$1,478,676</td>
<td>$121,784</td>
</tr>
<tr>
<td>2015</td>
<td>$392,802</td>
<td>$151,371</td>
<td>$1,789,011</td>
<td>$426,220</td>
<td>$1,362,791</td>
<td>$43,863</td>
</tr>
<tr>
<td>2014</td>
<td>$622,687</td>
<td>$141,034</td>
<td>$1,628,273</td>
<td>$303,817</td>
<td>$1,324,456</td>
<td>$284,146</td>
</tr>
<tr>
<td>2013</td>
<td>$635,315</td>
<td>$292,501</td>
<td>$1,435,915</td>
<td>$390,413</td>
<td>$1,045,502</td>
<td>$155,106</td>
</tr>
<tr>
<td>2012</td>
<td>$478,608</td>
<td>$633,059</td>
<td>$1,579,192</td>
<td>$502,261</td>
<td>$1,076,931</td>
<td>($1,026,274)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Premiums Earned</th>
<th>Net Losses + LAE</th>
<th>Loss Ratio</th>
<th>Premiums Written</th>
<th>Other Expenses</th>
<th>Expense Ratio</th>
<th>Combined Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$666,621</td>
<td>$390,315</td>
<td>58.6%</td>
<td>$648,233</td>
<td>$199,513</td>
<td>30.8%</td>
<td>89.3%</td>
</tr>
<tr>
<td>2015</td>
<td>$392,802</td>
<td>$163,371</td>
<td>41.6%</td>
<td>$480,235</td>
<td>$227,005</td>
<td>47.3%</td>
<td>88.8%</td>
</tr>
<tr>
<td>2014</td>
<td>$622,687</td>
<td>$149,034</td>
<td>23.9%</td>
<td>$652,826</td>
<td>$218,095</td>
<td>33.4%</td>
<td>57.3%</td>
</tr>
<tr>
<td>2013</td>
<td>$635,315</td>
<td>$293,677</td>
<td>46.2%</td>
<td>$635,315</td>
<td>$253,348</td>
<td>39.9%</td>
<td>86.1%</td>
</tr>
<tr>
<td>2012</td>
<td>$478,608</td>
<td>$655,109</td>
<td>136.8%</td>
<td>$542,524</td>
<td>$895,476</td>
<td>165.1%</td>
<td>301.9%</td>
</tr>
</tbody>
</table>

ACCOUNTS AND RECORDS

The Company engaged Teresa Whaley, CPA, with the David M. Ellis, CPA firm, 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.
The Company purchased an annuity contract as an investment from Forethought Life Insurance Company, which was issued to the Company on November 23, 2013. The Company paid $179,055 for the annuity. Annuity contracts are not listed as a permitted investment by Tenn. Code Ann. §§ 56-3-401 through 56-3-407. See the “Comments and Recommendations” section later in this report.

Pursuant to Tenn. Comp. R. & Regs. 0780-1-78-.04(3), the Company was not required to file financial reports audited by a certified public accountant during the period under examination.

The Company was not required to file the 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 exempted 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 Greeneville, 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 FMT 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 $6,250,000 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
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 January 9, 2007.

The Company's premium rates in effect from May 1 2014, through December 31, 2016, were approved by the TDCI on October 18, 2013.

**Advertising**

The Company's advertising during the period of examination consisted of a paid service through Dex Media. Dex Media lists the company in the Yellow Pages, social media, and also maintains the Company's website. The Company also places ads with the local newspaper and events such as the county fair. The Company's reputation and products are also communicated to potential policyholders by the Board and the Company's appointed agents via word of mouth and social media.

**Policy Cancellation**

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

The Company adheres to the non-renewal provisions contained in Tenn. Code Ann. §§ 56-7-1901 and 56-7-1902, in accordance with Tenn. Code Ann. § 56-22-109(b)(2), 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 random sample of claims closed and denied during 2016 were examined for compliance with the Company's policy terms and Tenn. Code Ann. § 56-8-105.

The Company's claims adjustor adjusted or supervised the adjudication of all claims tested. Tested claims were handled properly, in accordance with policy provisions and applicable statutes.

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed. No events were noted that required additional disclosure in this examination report. Management stated in its letter of representation that they were not aware of any events subsequent to December 31, 2016 that could have a material effect on the Company's financial condition. Our review confirmed the Company's disclosures in its 2016 annual statement and in its letter of representation.
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:

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Non-Admitted Assets</th>
<th>Net Admitted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annuity</td>
<td>$195,674</td>
<td>$0</td>
</tr>
<tr>
<td>Real estate (properties occupied by the company)</td>
<td>43,427</td>
<td>43,427</td>
</tr>
<tr>
<td>Cash, cash equivalents, and short-term investments</td>
<td>1,804,982</td>
<td>1,804,982</td>
</tr>
<tr>
<td>Premium receivables and agents balances</td>
<td>122,868</td>
<td>122,868</td>
</tr>
<tr>
<td>Interest, dividends, and real estate income due and accrued</td>
<td>5,756</td>
<td>5,756</td>
</tr>
<tr>
<td>Electronic data processing equipment and software</td>
<td>5,673</td>
<td>5,673</td>
</tr>
</tbody>
</table>

**Totals**

|                | $2,178,380 | $195,674 | $1,982,706 |

### LIABILITIES AND POLICYHOLDERS’ SURPLUS

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid losses and claims</td>
<td>$71,851</td>
<td></td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>360,022</td>
<td></td>
</tr>
<tr>
<td>Advance premiums</td>
<td>64,500</td>
<td></td>
</tr>
<tr>
<td>Account payable and accrued expense payable</td>
<td>2,018</td>
<td></td>
</tr>
<tr>
<td>Taxes, licenses and fees (excluding federal income taxes)</td>
<td>2,370</td>
<td></td>
</tr>
<tr>
<td>Amount withheld or retained by company for account of others</td>
<td>3,269</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>504,030</td>
<td></td>
</tr>
<tr>
<td>Policyholders’ surplus</td>
<td>1,478,676</td>
<td></td>
</tr>
</tbody>
</table>

**Total liabilities and policyholders’ surplus**

$1,982,706
# STATEMENT OF INCOME

## UNDERWRITING INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums earned</td>
<td>$666,621</td>
</tr>
<tr>
<td><strong>DEDUCTIONS</strong></td>
<td></td>
</tr>
<tr>
<td>Net losses incurred</td>
<td>369,685</td>
</tr>
<tr>
<td>Loss adjustment expenses incurred</td>
<td>20,630</td>
</tr>
<tr>
<td>Other underwriting expenses incurred</td>
<td>199,513</td>
</tr>
<tr>
<td><strong>Total underwriting deductions</strong></td>
<td>589,828</td>
</tr>
<tr>
<td><strong>Net underwriting gain (loss)</strong></td>
<td>76,793</td>
</tr>
</tbody>
</table>

## INVESTMENT INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment income earned</td>
<td>19,713</td>
</tr>
<tr>
<td>Net realized capital gains (losses) less capital gains tax</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net investment gain (loss)</strong></td>
<td>19,713</td>
</tr>
</tbody>
</table>

## OTHER INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate write-ins for miscellaneous income</td>
<td>25,278</td>
</tr>
<tr>
<td><strong>Total other income</strong></td>
<td>25,278</td>
</tr>
<tr>
<td>Net income before dividends to policyholders and federal income taxes</td>
<td>121,784</td>
</tr>
<tr>
<td>Federal income taxes incurred</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$121,784</td>
</tr>
</tbody>
</table>
### POLICYHOLDERS' SURPLUS ACCOUNT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policyholders' Surplus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 31, previous year</td>
<td>$1,362,791</td>
<td>$1,324,456</td>
<td>$1,045,502</td>
<td>$1,069,451</td>
<td>$2,103,205</td>
</tr>
<tr>
<td>Net income or (loss)</td>
<td>121,784</td>
<td>43,863</td>
<td>284,146</td>
<td>155,106</td>
<td>(1,033,754)</td>
</tr>
<tr>
<td>Change in non-admitted assets from prior year</td>
<td>(5,899)</td>
<td>(5,528)</td>
<td>(5,192)</td>
<td>(179,055)</td>
<td>0</td>
</tr>
<tr>
<td>Net change in capital and surplus for the year</td>
<td>115,885</td>
<td>38,335</td>
<td>278,954</td>
<td>(23,949)</td>
<td>(1,026,274)</td>
</tr>
<tr>
<td>Policyholders' Surplus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 31, current year</td>
<td>$1,478,676</td>
<td>$1,362,791</td>
<td>$1,324,456</td>
<td>$1,045,502</td>
<td>$1,069,451</td>
</tr>
</tbody>
</table>
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Policyholders' Surplus $1,478,676

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 “Fidelity Bonds and Other Insurance” section of this report, the Company's fidelity coverage during the period under examination did not meet the minimum amount suggested in the NAIC Handbook. The Company subsequently adjusted its coverage as suggested in the NAIC Handbook guidance. The Company is advised to periodically review its insurance coverages to maintain appropriate levels.

Recommendations
1. As noted in the “Accounts and Records” section of this report, the Company currently holds an annuity contract, purchased for $179,055, as an investment. Pursuant to Tenn. Code Ann. §§ 56-3-401 through 56-3-407, the annuity is not a permitted investment. It is recommended that the Company divest from the annuity and invest the funds in one of the approved investment types listed in Tenn. Code Ann. §§ 56-3-401 through 56-3-407.

2. As noted in the “Territory and Plan of Operations” section of this report, the Company facilitates the sale of liability insurance coverage on behalf of FMT as a service to policyholders who wish to obtain such coverage on properties insured by the Company. The Company accepts premium payment for its policies and the FMT liability policies, often in one check. The Company remits the FMT liability policy premiums, minus a commission, to FMT after receiving a quarterly statement from FMT. There is no written agreement between the Company and FMT regarding the holding of funds. It is recommended that the Company either discontinue the practice of accepting FMT's premiums or enter into a written agreement with FMT which provides how FMT's funds should be held by the Company and for the monthly settlements of premiums.
Receipt of commissions on the liability policies sold on behalf of FMT is a violation of Tenn. Code Ann. § 56-6-113(b). It is recommended that the Company discontinue the practice of accepting commissions on policies sold on behalf of other companies.

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.
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 Farmers Mutual Fire Insurance Company of Greene County.

In such manner, it was determined that, as of December 31, 2016, the Company had admitted assets of $1,982,706 and liabilities, exclusive of policyholders' surplus, of $504,030. Thus, there existed for the additional protection of the policyholders surplus funds of $1,478,676. 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 sufficient to meet the requirements of 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, Jay Uselton, CFE, Daniel Clements, CPA, and Jody Fox, Insurance Examiners from the State of Tennessee, participated in the work of this examination.

Respectfully submitted,

Jonathan P Habart, CPA
Examiner-in-Charge
State of Tennessee
AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Farmers Mutual Fire Insurance Company of Greene County located in Greeneville, Tennessee, dated March 8, 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.

Jonathan P. Habart, CPA
Examiner-in-Charge
State of Tennessee

Subscribed to and sworn before me
this 18th day of June, 2018

(NOTARY)

My Commission Expires: 5/11/18
EXHIBIT B
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 – Farmers Mutual Fire Insurance Company of Greene County  

Dear Ms. Little:  

We hereby acknowledge receipt of the final Report of Examination for Farmers Mutual Fire Insurance Company of Greene County.  

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

Sincerely,  

Johnny Ottinger/President