

# EXHIBIT A



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

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**REPORT ON EXAMINATION  
OF THE  
FARMERS UNION MUTUAL FIRE INSURANCE COMPANY  
OF  
BRADLEY COUNTY  
CLEVELAND, TENNESSEE**

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**AS OF  
DECEMBER 31, 2023**

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Cleveland, Tennessee  
May 16, 2025

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

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-22-115, a full-scope financial examination and market conduct review, as of December 31, 2023, has been made of the condition and affairs of:

**Farmers Union Mutual Fire Insurance Company of Bradley County**

NAIC # 15972  
915 25<sup>th</sup> Street NW  
Cleveland, Tennessee 37311

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

## **INTRODUCTION**

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

## **SCOPE OF EXAMINATION**

The last examination of the Company was made as of December 31, 2018. This examination covers the period from January 1, 2019, through the close of business on December 31, 2023, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with practices and procedures promulgated by the NAIC *Financial Condition Examiners Handbook* (“Handbook”), as deemed appropriate. The examination sought to evaluate the overall financial statement presentation and management’s compliance with statutory accounting

principles and the *Annual Statement Instructions for Tennessee County Mutual Insurers* ("Instructions"). The examination also included an assessment of prospective risks faced by the Company, based on information obtained during the course of the examination.

The examination reviewed the Company's business policies and practices, management and corporate matters, and reviewed and evaluated assets, liabilities, income, and disbursements. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules, and regulations. In planning and conducting our examination, we considered the concepts of materiality and risk, and our examination efforts were directed accordingly.

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

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

## **COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS**

The examination included a review to determine the current status of the comments and recommendations in the previous report on examination, as of December 31, 2018, which covered the period from January 1, 2014, through December 31, 2018. A summary of the previous comments and recommendations and the corrective actions taken by the Company is discussed below:

### **Comments**

1. It was noted that the Company did not have a conflict-of-interest policy, nor did it require annual disclosures of conflicts of interests or potential conflicts from Company officers, directors, and employees. It was suggested that the Company implement a policy to require disclosures of conflicts of interest or possible conflicts of interest.

### **Corrective Action**

The Company has implemented a conflict-of-interest policy; however, the Company was unable to provide signed acknowledgements of said policy from directors for four (4) of the five (5) years during the examination period. See the "Conflict of Interest" and "Comments and Recommendations" sections of this report.

2. It was noted that the Company was operating under several verbal agreements. It was suggested that the Company formalize all verbal agreements in writing and execute with all parties.

Corrective Action

It was determined during the examination that the Company no longer had any verbal agreements.

3. It was noted that the Company had not been correctly charging non-admitted assets to surplus, and as a result, the Company's assets were overstated. The Company amended its annual statements to address this issue during the last examination.

Corrective Action

The Company has been correctly charging non-admitted assets to surplus in all subsequent statements since the last examination.

4. It was noted that one of the Company's agents did not have an active license during the last examination period. The agent without an active license renewed his license during the last examination.

Corrective Action

The Company has ensured that all of its agents have valid licenses.

5. It was noted that the Company did not maintain a complaint log as required by Tenn Code Ann § 56-8-104(11) during the last examination period. It was noted that the Company created a complaint log that was in accordance with Tenn. Code Ann. § 56-8-104(11) during the last examination.

Corrective Action

During the review of the Company's complaint log, it was noted that it did not meet all the requirements of Tenn. Code Ann. § 56-8-104(11). Upon request from examiners, the Company created a compliant complaint log that met the requirements of Tenn. Code Ann. § 56-8-104(11). See the "Market Conduct" and "Comments and Recommendations" sections of this report.

## **Recommendations**

1. It was noted that the Company incorrectly reported its prepaid reinsurance premiums as an “aggregate write-ins for other than invested assets” on Page 2, line 16 in its 2014 through 2018 annual statements. It was recommended that the Company account for prepaid reinsurance premiums pursuant to Section 44 of Statement of Statutory Accounting Principles (SSAP) No. 62R – Property and Casualty Reinsurance.

### **Corrective Action**

The Company complied with this recommendation by properly reporting its prepaid reinsurance premiums during the examination period.

2. It was noted that the Company could not provide evidence of review or approval of its investments in its Board of Directors (“Board”) or Executive Committee meeting minutes. It was recommended that the Company ensure all investment activities are approved by the Board or Committee in accordance with Tenn. Code Ann. § 56-3-408(b)(1).

### **Corrective Action**

The Company has not complied with this recommendation. See the “Management and Control” and “Comments and Recommendations” sections of this report.

3. It was noted that the Company did not correctly account for open and unpaid claims in its 2015 and 2018 annual statements. It was recommended that the Company comply with the Instructions prescribed by the Commissioner in accordance with Tenn. Code Ann. § 56-22-109 and SSAP No. 55.

### **Corrective Action**

The Company has complied with this recommendation and correctly accounted for open and unpaid claims.

4. It was found in the last examination that the Company had not correctly reported its “Policyholders Surplus as of December 31 previous year” on its 2016 annual statement. It was recommended that the Company comply with the Instructions prescribed by the Commissioner in accordance with Tenn. Code Ann. § 56-22-109.

### **Corrective Action**

The Company complied with this recommendation by properly reporting its Policyholder Surplus during the examination period.

5. During the last examination it was noted that the Company was not properly maintaining records of claims and policy applications. It was recommended that the Company ensure that all documentation be maintained, and all forms and records are fully completed in compliance with Tenn. Code Ann. § 56-8-104(10).

#### Corrective Action

The Company has not complied with this recommendation. See the “Market Conduct and “Comments and Recommendations” sections in this report.

## **COMPANY HISTORY**

The Company was incorporated on October 14, 1914, under the Tennessee Business Corporation Act as a non-profit mutual benefit corporation. The Company commenced business on October 14, 1914. On September 15, 2005, the Company was issued its current Certificate of Authority (COA) to transact the business of insurance pursuant to Tenn. Code Ann. §§ 56-22-101, *et seq.* The COA is valid until suspended or revoked and allows the Company to transact business operations in all counties contiguous to Bradley County to the second degree in the State of Tennessee, pursuant to Tenn. Code Ann. § 56-22-106(f)(1). The Company’s business purpose is to insure loss or damage to property due to fire, lightning, hail, extended coverage, and tornado to residents of Bradley County, Tennessee. The Company currently writes policies in Bradley, Hamilton, McMinn, Meigs, Polk, and Rhea Counties in Tennessee.



## MANAGEMENT AND CONTROL

### MANAGEMENT

#### Directors

Management of the Company is vested in a Board of Directors ("Board"). Directors are elected for a term of three (3) years. In accordance with the Bylaws, the Board shall consist of no less than six (6) nor more than fifteen (15) directors.

The following persons were duly elected and serving as directors of the Company's Board, as of December 31, 2023:

<u>Director</u>	<u>Address</u>
John F. Eads	Cleveland, Tennessee
David Campbell	Cleveland, Tennessee
Charles Hannah	Cleveland, Tennessee
Milton Humberd Jr	Cleveland, Tennessee
Charles McSpadden Jr.	Cleveland, Tennessee
Dana Burgner	Cleveland, Tennessee
Daniel Beaty	Cleveland, Tennessee
Scott Humberd	Cleveland, Tennessee
Lyle Swartzel	Cleveland, Tennessee

#### Officers

The Bylaws of the Company instruct the Board to elect annually a President, Vice President, Secretary and Treasurer. The President, Vice President, Secretary and Treasurer must be chosen from the Board. Each officer shall serve a term of one (1) year.

The following persons were serving as the Company's officers, as of December 31, 2023:

<u>Name</u>	<u>Title</u>
Charles Hannah	President
Charles McSpadden Jr.	Vice President
Lyle Swartzel	Secretary/Treasurer

## **Committees**

The Board appointed an Executive Committee. The following individuals were serving on the Executive Committee, as of December 31, 2023:

<b><u>Name</u></b>	<b><u>Title</u></b>
Charles Hannah	President
Charles McSpadden Jr.	Vice President
Lyle Swartzel	Secretary/Treasurer

## **CONTROL**

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

The annual meeting of the members shall be held on the first Saturday after the third Monday in January of each year at the courthouse, or at such place as may be designated by the management.

Special meetings of the members shall be held at the call of the Board and shall be called on petition of one-fourth (1/4) of the members. Pursuant to the Bylaws, members are given advance notice of the date, time, and location of all membership meetings. Each member is entitled to one (1) vote in person or by ballot transmitted by mail as may be provided by the Bylaws in any election for directors or upon any other items. No member shall vote by proxy. A quorum for any membership meeting shall consist of ten percent (10%) of the membership or ten (10) members, whichever is less.

During the examination period, three (3) annual member meetings, sixteen (16) regular director meetings, and one (1) special director meeting were held. The 2021 and 2022 annual member meetings were postponed due to COVID-19 concerns.

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

The Company has a conflict-of-interest policy; however, the Company was not able to provide signed conflict-of-interest acknowledgement forms for 2019 through 2022 for its directors. A review of the Company's compliance with Tenn. Code Ann. § 56-3-103 found no director or officer of the Company had a pecuniary interest in the investment or disposition of Company funds. See the "Compliance with Previous Examination Findings" and "Comments and Recommendations" sections of this report.

## **CORPORATE RECORDS**

The minutes of the Member, Board, and Executive Committee meetings were reviewed and appear to reflect properly the acts of the respective bodies, with one exception. The Company has appointed the Executive Committee with the authority to approve investment decisions made by the Company. While reviewing the Executive Committee meeting minutes it was noted that there was no documentation of the approval of investments. The Board or a committee appointed by the Board is required to approve all investments made by the Company in accordance with Tenn. Code Ann. § 56-3-408(b)(1). The Company failed to properly record its approval of investment decisions in 2019 through 2022. See the “Compliance with Previous Examination Findings” and “Comments and Recommendations” sections of this report.

### **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. In 2023, the Company amended its Bylaws to move the annual meeting from the first Saturday after the second Monday of January to the first Saturday after the third Monday of January.

## **SERVICE AGREEMENTS**

The Company had two (2) written agreements in place for services during the period under examination.

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

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

## **Insurance Management Systems**

Intuitive Web Solutions, LLC, a Missouri LLC, provides the Company with insurance processing system software, operating system software, quoting, and/or electronic data processing software through BriteCore.

## **TERRITORY AND PLAN OF OPERATIONS**

### **Territory**

The Company's current COA was issued by the TDCI on September 15, 2005, and authorized the transaction of the business of fire, lightning, hail, extended coverage, and tornado 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 Bradley County to the second degree in the State of Tennessee, pursuant to Tenn. Code Ann. § 56-22-106(f)(1). The Company currently writes policies in Bradley, Hamilton, McMinn, Meigs, Polk, and Rhea Counties in Tennessee.

### **Plan of Operations**

The Company provides its members with coverage on dwellings, rental homes, modular homes, mobile homes, farm buildings, livestock, personal property, farm machinery, churches, and other structures.

The Company's policies are typically written for fifty percent (50%) to eighty percent (80%) of the replacement value of the property insured, subject to policy limits of \$450,000 per specific loss. The policy period for each policy is one (1) year, with premiums being due annually on the policy anniversary date, except for policyholders who choose to pay semi-annually. The standard deductible is \$500; however, members also have the option of paying lower premium rates for a \$1,000 deductible policy.

Liability coverage, provided through an agreement with Farmers Mutual of Tennessee ("Farmers"), a Tennessee property and casualty insurer, is also available to the members of the Company if they wish to purchase this additional protection. The four (4) types of liability coverage offered include: 1) Personal Liability, 2) Commercial Liability (Premises Only-Landlords), 3) Farm Personal Liability, and 4) Farm Employee Liability.

## GROWTH OF COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholder Surplus</u>	<u>Gross Premiums Written</u>	<u>Net Income</u>
2023	\$2,187,544	\$166,359	\$2,021,185	\$322,647	(\$12,780)
2022	\$2,235,097	\$160,415	\$2,074,682	\$318,047	(\$172,395)
2021	\$2,398,248	\$157,403	\$2,240,845	\$309,487	\$81,282
2020	\$2,325,484	\$153,988	\$2,171,496	\$305,269	\$6,109
2019	\$2,297,870	\$154,458	\$2,139,443	\$326,007	\$35,389

## LOSS EXPERIENCE

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

<u>Year</u>	<u>Net Premiums Earned</u>	<u>Net Losses &amp; LAE</u>	<u>Loss Ratio</u>	<u>Other Expenses</u>	<u>Expense Ratio</u>	<u>Combined Ratio</u>
2023	\$141,574	\$50,017	35.33%	\$174,778	123.45%	158.78%
2022	\$93,244	\$14,557	15.61%	\$273,497	293.31%	308.92%
2021	\$159,411	\$14,796	9.28%	\$95,439	59.86%	69.15%
2020	\$170,812	\$124,809	73.07%	\$101,770	59.58%	132.65%
2019	\$151,345	\$31,940	21.10%	\$135,150	89.29%	110.40%

## REINSURANCE

The Company has two (2) reinsurance contracts with multiple reinsurers brokered by Guy Carpenter, including property first surplus and aggregate excess of loss agreements. All of the reinsurers are licensed carriers approved to transact business in the State of Tennessee.

The agreements were 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). The agreements appear to effectuate proper transfer of risk in accordance with SSAP No. 62 and NAIC guidelines. The agreements were found to meet the requirements set forth in Tenn. Code Ann. §§ 56-22-106(d) and 56-22-110.

## **ACCOUNTS AND RECORDS**

During the examination, accounts were verified by various tests and procedures deemed necessary to confirm values for assets and liabilities appearing in the Company's financial statements. General ledger balances were reconciled with the financial statements and were reviewed for completeness of disclosure and conformity to NAIC Accounting Practices and Procedures, as required by Tennessee Compilation of Rules and Regulations ("Tenn. Comp. R. & Regs.") 0780-01-78-.04(1).

Pursuant to Tenn. Comp. R. & Regs. 0780-1-78-.04(3), the Company was exempt from filing financial reports audited by a CPA licensed in the State of Tennessee.

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

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

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

## **MARKET CONDUCT ACTIVITIES**

A market conduct review was made of the Company as of December 31, 2023, in conjunction with the financial examination. The following items were addressed:

### **Operations and Management Standards**

Company antifraud initiatives were reviewed to determine whether they are reasonably designed to prevent, detect, or mitigate fraudulent insurance acts as required by Tenn. Code Ann. § 56-53-111(b)(1)(A). Tenn. Code Ann. § 56-53-111(b)(1)(A) requires that all applications for insurance and all claim forms contain a statement that clearly includes the following or words to the effect: "It is a crime to knowingly provide false, incomplete, or misleading information to an insurance company for the purpose of defrauding the Company." During the review, it was noted that the Company's applications and claims forms did not have the required fraud warning statement. See the "Comments and Recommendations" section in this report.

Additionally, the Company's 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's complaint handling practices were reviewed for compliance with Tenn. Code Ann. § 56-8-104(11), which requires the Company to maintain a complete record of all the complaints it receives. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of each complaint, and the time to process each complaint. It was noted that during the examination period, the Company did not maintain a complaint log that met the requirements of the statute. See the "Compliance with Previous Examination Findings" and "Comments and Recommendations" sections in this report.

### **Marketing and Sales Standards**

The Company's advertising during the period of examination consisted of pens, calendars, and newspaper ads. The Company's reputation and products are also communicated to potential members by the Board and the Company's agents via word of mouth. The Company was found to be in compliance with the relevant market conduct standards.

### **Producer Licensing Standards**

Tenn. Code Ann. § 56-6-115 requires the Company to sell its products and services through producers who are properly licensed and appointed by the Company. The Company's producers' state-issued licenses and appointment information was reviewed during the examination for compliance with Tenn. Code Ann. § 56-6-115. No issues were noted.

### **Policyholder Services Standards**

The Company's timeliness of policy issuance, premium billing, 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**

During the examination of the Company's underwriting procedures and policy administration, a sample of policies in-force were reviewed for compliance with Tenn. Code Ann. § 56-8-104(7) and Tenn. Comp. R. & Regs. 0780-01-34.

During the review of the Company's insurance policies, it was noted that the Company was not including details on why the policy was underwritten with higher-than-normal rates. This is not in compliance with Tenn. Code Ann. § 56-8-104(10), which requires that an insurer maintain its books, records, documents, and other business records in such an order that data regarding claims, rating, underwriting, and marketing are

accessible and retrievable for examination by the insurance Commissioner. See the “Compliance with Previous Examination Findings” and “Comments and Recommendations” sections in this report.

A sample of canceled and non-renewed policies was reviewed for timely notification and compliance with Tenn. Code Ann. § 56-8-104(7) and Tenn. Comp. R. & Regs. 0780-01-34. No issues were noted.

The policy forms, claims forms, rates, and rate classifications that were used by the Company during the period of examination were reviewed. During this review, it was noted that the Company had not filed all of its policy forms, claims forms, rates, and rate classifications with the Department prior to use in accordance with Tenn. Code Ann. §§ 56-5-103, 56-5-104, 56-5-105, and 56-22-109(b)(1). See the “Comments and Recommendations” section in this report.

### **Claims Handling Standards**

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

## **SUBSEQUENT EVENTS**

During the examination, a review of subsequent events was performed. No events were noted that required additional disclosure in the examination report. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2023, that could have a material effect on the Company’s financial condition. Our review confirmed the Company’s disclosures in its 2023 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, 2023, together with a reconciliation of policyholders' surplus for the period under examination, as reported by the Company in its 2023 Annual Statement:

	<b><u>ASSETS</u></b>		
	<b><u>Assets</u></b>	<b><u>Non-Admitted Assets</u></b>	<b><u>Net Admitted Assets</u></b>
Bonds and Long-term			
Certificates of Deposit	\$2,003,993		\$2,003,993
Preferred Stock	10,265		10,265
Cash and cash equivalents	168,925		168,925
Interest, dividends, and real			
estate income due and			
accrued	4,361		4,361
Aggregate write-ins for other			
than invested assets	<u>111,782</u>	<u>\$111,782</u>	<u>0</u>
Total Assets	<u>\$2,299,326</u>	<u>\$111,782</u>	<u>\$2,187,544</u>

### **LIABILITIES AND POLICYHOLDERS' SURPLUS**

Unearned premiums	\$157,504
Advance premiums	8,226
Accounts Payable and Accrued Expenses Payable	<u>629</u>
Total liabilities	166,359
Policyholders' surplus	<u>2,021,185</u>
<b>Total Liabilities and Policyholders' Surplus</b>	<b><u>\$2,187,544</u></b>

## STATEMENT OF INCOME

### **UNDERWRITING INCOME**

Net premiums and assessments earned	<u>\$141,574</u>
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### **DEDUCTIONS**

Net Losses incurred	44,097
Loss expenses incurred including claims adjustment expenses	5,920
Total underwriting expenses incurred	<u>174,778</u>
Total underwriting deductions	<u>224,795</u>
Net underwriting gain or (loss)	(83,221)

### **INVESTMENT INCOME**

Net investment income earned	<u>70,312</u>
Net investment gain (loss)	70,312

### **OTHER INCOME**

Aggregate write-ins for miscellaneous income	<u>129</u>
Total other income	129
Net income (loss) after dividends to policyholders and before federal income taxes	<u>(12,780)</u>
<b>Net Income (loss)</b>	<u><b>(\$12,780)</b></u>

# POLICYHOLDERS' SURPLUS ACCOUNT

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Policyholders' Surplus December 31, previous year	<u>\$2,074,682</u>	<u>\$2,240,845</u>	<u>\$2,171,496</u>	<u>\$2,143,412</u>	<u>\$2,108,446</u>
Net income or (loss)	(12,780)	(172,395)	81,282	6,109	39,358
Change in non-admitted assets from prior year	(39,550)	5,240	(12,860)	21,975	(4,392)
Change in net unrealized capital gains or (losses)	<u>(1,167)</u>	<u>992</u>	<u>927</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	<u>(53,497)</u>	<u>(166,163)</u>	<u>69,349</u>	<u>28,084</u>	<u>34,966</u>
Policyholders' Surplus December 31, current year	<u>\$2,021,185</u>	<u>\$2,074,682</u>	<u>\$2,240,845</u>	<u>\$2,171,496</u>	<u>\$2,143,412</u>

## ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Policyholders' Surplus

\$2,021,185

Total policyholders' surplus, as established by this examination, is the same as what was reported by the Company in its 2023 Annual Statement. There were no changes made to any asset or liability item as a result of our examination performed as of December 31, 2023.

## COMMENTS AND RECOMMENDATIONS

### Comments

1. As noted in the "Compliance with Previous Examination Findings" and "Management and Control" section of this report, the Company was not able to provide signed conflict-of-interest acknowledgement forms for 2019 through 2022. Requiring annual disclosures is considered a best practice, as it documents the Company's compliance with Tenn. Code Ann. § 56-3-103, which prohibits Company officers and directors from having a pecuniary interest in any funds of the Company.

It is suggested that the Company require annual disclosures of conflicts or possible conflicts of interest and maintain records of such disclosures.

2. As noted in the "Compliance with Previous Examination Findings" and "Management and Control" sections of this report, the Company did not properly record the approval of investment transactions made by the Company in 2019 through 2022. This is not in compliance with Tenn. Code Ann. § 56-3-408(b)(1), which requires that the Board or a committee appointed by the Board approve all investment transactions made by the Company.

The Company started documenting this approval in its Executive Committee meeting minutes in 2023.

3. As noted in the "Compliance with Previous Examination Findings" and "Market Conduct Activities" sections of this report, the Company's complaint log did not meet the requirements of Tenn. Code Ann. § 56-8-104(11).

The Company created a new complaint log that contained the required items noted in Tenn. Code Ann. § 56-8-104(11).

## **Recommendations**

1. As noted in the “Market Conduct Activities” section of this report, it was noted that the Company was not in compliance with Tenn. Code Ann. § 56-53-111(b)(1)(A). Tenn. Code Ann. § 56-53-111(b)(1)(A) requires that all applications for insurance and all claim forms contain a statement that clearly includes in substance the following or words to the effect: “It is a crime to knowingly provide false, incomplete, or misleading information to an insurance company for the purpose of defrauding the Company.” During the review, it was noted that the Company’s policy applications and claims forms did not have the required fraud warning statement.

It is recommended that the Company comply with Tenn. Code Ann. § 56-53-111(b)(1)(A) by adding the fraud warning statement to their policy applications and claims forms.

2. As noted in the “Compliance with Previous Examination Findings” and “Market Conduct Activities” section of this report, it was noted that the Company was not in compliance with Tenn. Code Ann. § 56-8-104(10), which requires that an insurer maintain its books, records, documents, and other business records in such an order that data regarding claims, rating, underwriting, and marketing are accessible and retrievable for examination by the insurance Commissioner. The Company’s records did not contain evidence to support the ratings that were used when underwriting some of the Company’s insurance policies.

It is recommended that the Company comply with Tenn. Code Ann. § 56-8-104(10) by maintaining its records in a way that supports the underwriting decisions made by the Company.

3. As noted in the “Market Conduct Activities” section of this report, it was noted that the Company has not properly filed all of its policy forms, claims forms, rates, and rate classifications with the Department pursuant to Tenn. Code Ann. §§ 56-5-103, 56-5-104, 56-5-105, and 56-22-109(b)(1).

It is recommended that the Company file all of the policy forms, claims forms, rates, and rate classifications that it is currently using with the Department pursuant to Tenn. Code Ann. §§ 56-5-103, 56-5-104, 56-5-105, and 56-22-109(b)(1).

## 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 Union Mutual Fire Insurance Company of Bradley County.

In such manner, it was found that as of December 31, 2023, the Company had admitted assets of \$2,187,544 and liabilities, exclusive of policyholders' surplus, of \$166,359. Thus, there existed for the additional protection of the policyholders, the amount of \$2,021,185 in the form of policyholders' surplus. For this examination, as of December 31, 2023, the Company maintains surplus sufficient to satisfy the requirements of Tenn. Code Ann. §§ 56-22-105(c) and 56-22-106(f)(1) and (2).

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, Changyoon Baek, Benjamin Govan, James Pearce, Insurance Examiners, Jay Uselton, CFE, Supervising Examiner, and Rhonda Bowling-Black, CFE, ARe, MCM, Market Conduct Supervisor from the State of Tennessee, participated in the work of this examination.

Respectfully submitted,



06/27/2025

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Dustin Rice  
Examiner-in-Charge  
State of Tennessee

## CERTIFICATION

The undersigned certifies and says that he has duly executed the attached examination report of Farmers Union Mutual Fire Insurance Company of Bradley County located in Cleveland, Tennessee, dated May 16, 2025, and made as of December 31, 2023, on behalf of the Tennessee Department of Commerce and Insurance. The undersigned 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.



06/27/2025

Dustin Rice  
Examiner-in-Charge  
State of Tennessee

# EXHIBIT B



**Farmers Union Mutual Fire Insurance  
Company Bradley County  
915 25th St. NW Cleveland, TN 37311  
PO Box 1016 Cleveland, TN 37364**

June 30, 2025

Bryant Cummings  
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 Union Mutual Fire Insurance  
Company of Bradley County

Dear Mr. Cummings:

We hereby acknowledge receipt of the final Report of Examination for Farmers  
Union Mutual Fire Insurance Company of Bradley County, made as of December  
31, 2023.

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

Sincerely,



Lyle L Swartzel  
Secretary Treasurer  
Farmers Union Mutual Fire Insurance Company  
Of Bradley County