STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

PREFERRED AUTO INSURANCE COMPANY, INC.

ROSSVILLE, TENNESSEE

AS OF

DECEMBER 31, 2022

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Rossville, Tennessee
May 28, 2024

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.") § 56-1-408, a full-scope financial examination and market conduct review, as of December 31, 2022, has been made of the condition and affairs of:

PREFERRED AUTO INSURANCE COMPANY, INC.
NAIC # 10223
3800 Highway 57
Rossville, Tennessee 38066

hereinafter referred to as the "Company" or "PAIC" 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. This examination was called through the National Association of Insurance Commissioners (NAIC) Financial Examination Electronic Tracking System (FEETS).

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2017. This examination covers the period from January 1, 2018, through December 31, 2022, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of the examination. There are no other insurers in the holding company group; therefore, no examination coordination with any other states was necessary.

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 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; Premium/Underwriting; Reserves/Claims; Related Party; Reinsurance Ceding; and Capital and Surplus.

The Company's 2022 Annual Statement was compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology general controls (ITGC) was conducted by information technology specialists, provided by Noble Consulting Services, Inc. (Noble). The examination included an assessment of information technology governance, entity level controls, service provider controls, disaster recovery, and business continuity controls, and an evaluation of ITGC for financially significant applications.

The actuarial firm of Taylor-Walker Consulting, LLC, subcontracted by Noble, was utilized in the examination review of the Company's reinsurance, loss reserves, and pricing.

The workpapers of the Company's certified public accountant (CPA) and independent auditor were reviewed for the 2022 audit and copies were incorporated into the examination, as deemed appropriate.

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

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

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The examination included a review to determine the current status of the comments and recommendations noted in the previous report on examination, as of December 31, 2017. A summary of the Commissioner's directives and the corrective actions taken by the Company are discussed below:

Comments

1. It was noted that the Company did not file its cost sharing agreement in a timely manner as required by Tenn. Code Ann. § 56-11-106(a)(2)(D). The Company should have procedures to ensure holding company agreements are approved by the Department in a timely manner as required.

   Corrective Action
   The Company complied by filing holding company agreements in a timely manner during this examination period.

2. It was noted that the Company had not appointed agents throughout its history, as required by Tenn. Code Ann. § 56-6-115.

   Corrective Action
   The Company complied by appointing all past and current agents prior to the end of the 2017 examination. There were no issues concerning compliance with Tenn. Code Ann. § 56-6-115 noted during this examination.

3. It was noted that the Company did not record all written complaints on its complaint register, as required by Tenn. Code Ann. § 56-8-104(11).

   Corrective Action
   Prior to the end of the 2017 examination, the Company amended its complaint handling policies and procedures. However, the Company did not record all its written complaints during the current examination period, as required by Tenn. Code Ann. § 56-8-104(11). See "Comments and Recommendations" and the "Market Conduct Activities" sections later in this report.

Recommendations

There were no recommendations noted in the prior examination report as of December 31, 2017.

COMPANY HISTORY

The Company was incorporated on April 27, 2000, under the Tennessee Business Corporation Act as a for-profit corporation authorized to transact business in the State of Tennessee. On January 16, 2001, the Department issued a Certificate of Authority to the Company to transact the business of property and casualty insurance.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The administration and governance of the Company is vested in the Board of Directors ("Board"), consisting of the three (3) owners of the Company, who were also officers of the Company. Tenn. Code Ann. § 56-11-106(c)(3) requires that not less than one-third (1/3) of the directors be persons who are not officers or employees of the Company. However, the Company was granted a waiver from this requirement by the Department. The waiver was dated July 1, 2015.

The following persons were serving as members of the Board, as of December 31, 2022:

Name	Principal Occupation
Jeffrey L. Kelley	Owner, President
Clinton B. Haley	Owner, Vice-President
Vincent G. Kelley	Owner, Vice-President and Secretary/Treasurer

Committees

The Board delegated certain duties and responsibilities to the audit and finance committees. On December 31, 2022, the standing committees of the Board and respective committee members were as follows:

Audit Committee	Finance Committee
Jeff Kelley	Jeff Kelley
Clint Haley	Clint Haley
Max Jones	Vince Kelley

Officers

The following persons were serving as officers of the Company, as of December 31, 2022:

Name	Title
Jeffrey L. Kelley	President
Clinton B. Haley	Vice-President
Vincent G. Kelley	Secretary/Treasurer

CONTROL

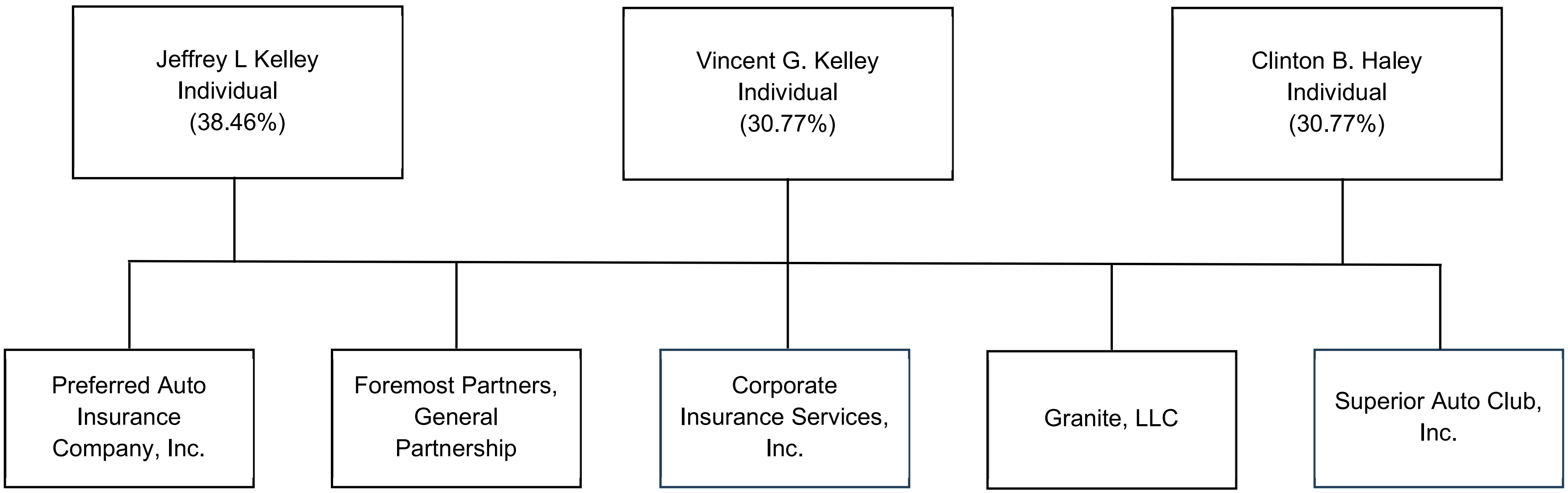
The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(b)(9), and as such, is subject to the Insurance Holding Company System Act of 1986, set forth in Tenn. Code Ann. §§ 56-11-101, *et seq*. The Company and its affiliates are owned by Jeffrey L. Kelley (thirty-eight and forty-six one-hundredths percent [38.46%]), Vincent G. Kelley (thirty and seventy-seven one-hundredths percent [30.77%]), and Clinton B. Haley (thirty and seventy-seven one-hundredths percent [30.77%]). These individuals, individually or collectively, constitute the ultimate controlling persons (UCPs), as each of them holds ten percent (10%) or more ownership interest in the Company.

CAPITAL STOCK

As of December 31, 2022, the Company had authorized capital stock of ten million (10,000,000) shares of common stock with a par value of one dollar ($1.00) per share. One million (1,000,000) shares were issued and outstanding.

The Company filed for a change in ownership with the Tennessee Secretary of State Office in 2020. On April 9, 2020, the Board of Directors approved the buyout of Danny Lazenby's seventy-one thousand four-hundred twenty-eight and fifty-seven one-hundredths (71,428.57) shares and distributed the shares to the remaining owners.

ORGANIZATIONAL CHART



CORPORATE RECORDS

Minutes of the stockholders' and directors' meetings reflected adequate approval and support for the Company's transactions. 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).

AGREEMENTS WITH PARENT, SUBSIDIARIES, AND AFFILIATES

The Company had the following significant agreements with its affiliated companies in effect, as of December 31, 2022:

Agency Agreement

Effective October 1, 2003, the Company entered into an agency agreement with Granite, LLC ("Granite"). The agreement set commission rates for new and renewal business. In addition, Granite collected premiums and related fees for the Company's policies which it wrote. Effective July 1, 2014, the agreement was amended for commission rates on renewal business. This amended agreement was approved by the Department on September 9, 2004, and June 19, 2014, respectively.

Software Lease Agreement

Effective October 1, 2007, the Company entered into a software lease agreement with Granite. The software enabled the Company to contract with independent agents, provide web-based rating, document imaging, ability to receive applications from policyholders, track policies, and provide current information to independent agents. This agreement was approved by the Department on October 3, 2007. During the examination period the agreement did not satisfy the requirements of Tenn. Code Ann. §§ 56-11-106(a)(1)(A) and 56-11-106(a)(1)(D).

Subsequently, the Company filed a new Software Lease Agreement that is in compliance with the law. The agreement was non-disapproved by the Department on November 8, 2023, retroactive to January 1, 2023. See "Comments and Recommendations" and the "Subsequent Events" sections later in this report.

Claims Administration Service Agreement

Effective February 1, 2012, the Company entered into a service agreement with Corporate Insurance Services, Inc. ("Corporate Services"). Under the provisions of the agreement, Corporate Services provided the Company claims administration services. The Company paid Corporate Services fees on a per claim basis. This agreement was approved by the Department on January 31, 2012.

Surplus Notes

Effective December 31, 2014, the Company executed a four hundred thousand dollar ($400,000) surplus note with Granite. The surplus note was for a period of ten (10) years with interest at six percent (6%) per annum and payable on December 31 of each subsequent year. The Department approved the surplus note on December 30, 2014. The Company made interest payments plus installments of forty thousand dollars ($40,000) each year, which were approved by the Department. The balance was paid in full on October 30, 2019.

Effective December 31, 2020, the Company executed a five hundred thousand ($500,000) surplus note with Granite. The surplus note was for a period of ten (10) years with interest at four percent (4%) per annum and payable on December 31 of each subsequent year. The Department approved the surplus note on December 28, 2020. The Department did not approve any interest and principal payments during the examination period.

Cost Sharing Agreement

Effective January 1, 2015, the Company entered into a cost-sharing agreement with Granite for shared management services. Under the terms of the agreement, the Company paid the salaries of officers, related payroll taxes, and 401k employee benefits for both the Company and Granite. Each month, Granite reimbursed the Company forty percent (40%) of the salaries, related payroll taxes, and employee benefits for Granite's share of the expenses. The agreement was approved by the Department on September 14, 2015.

Lease Agreement

Effective February 1, 2021, the Company entered into a lease agreement with Foremost Partners, General Partnership ("Foremost") to lease the building at 3800 Highway 57, Rossville, Tennessee. The Company uses the building to conduct its business operations. The Company paid Foremost monthly based on the fee schedule in the agreement. The agreement was non-disapproved by the Department on May 18, 2021, retroactively to February 1, 2021.

TERRITORY AND PLAN OF OPERATION

TERRITORY

As of December 31, 2022, and as of the date of this report, the Company was licensed to transact property and casualty business only in the state of Tennessee.

PLAN OF OPERATION

The Company writes auto liability and physical damage coverage for the non-standard market. As of December 31, 2022, over eighty percent (80%) of the Company's business was written in Shelby County, Tennessee, and adjacent Tennessee counties. The Company markets its products primarily through captive agents, but also utilizes independent agents.

The maximum retention on any one (1) risk was twenty-two thousand five hundred dollars ($22,500).

GROWTH OF COMPANY

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

Year	Admitted Assets	Liabilities	Capital and Surplus	Premiums Earned	Net Income
2022	$7,933,368	$3,628,049	$4,365,319	$1,592,290	($565,638)
2021	$9,002,648	$4,158,594	$4,844,054	$1,989,075	($48,861)
2020	$10,337,070	$5,277,636	$5,059,434	$2,470,126	$178,567
2019	$9,651,254	$6,861,181	$2,790,073	$3,072,904	($415,566)
2018	$10,009,448	$6,560,809	$3,448,639	$3,395,294	$211,071

LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements, the ratios of losses incurred to direct premiums earned, for the period subject to the examination were as follows:

Year	Losses Incurred	LAE Incurred	Premiums Earned	Loss Ratio
2022	$839,300	$709,166	$1,592,290	97.30%
2021	$975,535	$922,763	$1,989,075	95.40%
2020	$1,242,024	$1,143,054	$2,470,126	96.60%
2019	$1,986,630	$1,464,053	$3,072,904	112.29%
2018	$1,989,532	$1,361,849	$3,395,294	98.71%

REINSURANCE

Assumed

The Company did not assume risks through reinsurance during the examination period.

Ceded

Effective January 1, 2016, the Company entered into a seventy percent (70%) quota share reinsurance arrangement with Transatlantic Reinsurance Company, whereby the Company ceded seventy percent (70%) of the Company's Net Liability up to five hundred thousand dollars ($500,000), for each policy, for each loss occurrence, with such amounts to include the loss adjustment expense allowance, extra contractual obligations, and loss in excess of policy limits The reinsurance agreement covered all the Company's business, except for "non-owner coverage" which represented approximately three and a half percent (3.5%) of the Company's premium written.

ACCOUNTS AND RECORDS

Independent audits were performed each year during the examination period with each audit resulting in an unqualified opinion.

During the course of the examination, certain balances were tested, and amounts were traced from the Company's trial balance to the annual statement. Minor differences were noted in the Company's financial statements. All 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.

Tennessee Compilation of Rules and Regulations ("Tenn. Comp. R. & Regs.") 1700-02-01.02 and Tenn. Code Ann. § 66-29-123 requires the holder of property presumed abandoned and subject to custody of the State Treasurer to report such property to the Treasurer. The Company has not filed any unclaimed property reports with the State Treasurer. The Company does not have any written policies or procedures related to unclaimed property. Therefore, the Company is not in compliance with Tenn. Comp. R. & Regs. 1700-02-01.02 and Tenn. Code Ann. § 66-29-123. See the "Comments and Recommendations" section later in this report.

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

MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company as of December 31, 2022, in conjunction with the examination. The following items were addressed:

Operations and Management Standards

Company antifraud initiatives were examined and found to not outline all specific procedures required per Tenn. Code Ann. § 56-53-111. Of the five (5) required procedures, two (2) were determined to be inadequate. The Company's anti-fraud plan states that management is responsible for any fraud investigations and failed to mention the hiring or contracting of fraud investigators. The anti-fraud plan also failed to adequately address attempts to pursue restitution. See "Comments and Recommendations" section later in this report.

Company procedures and policies relating to privacy were reviewed to determine compliance with Tenn. Code Ann. § 56-8-104(19) and Tenn. Comp. R. & Regs. 0780-01-72-.07. No issues were noted.

Complaint Handling Practices

During the examination, both the Company's complaint handling procedures and the complaints it received were reviewed. The complaints received from the TDCI were reviewed to ensure the Company takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations, and contract language. It was noted that written complaints received directly at the Company were not recorded. It was determined that the Company is not in compliance with Tenn. Code Ann. § 56-8-104(11). See "Comments and Recommendations" section later in this report.

Marketing and Sales Standards

The Company no longer advertises but relies on word of mouth and internet searches. No issues were noted.

Producer Licensing Standards

Tenn. Code Ann. §§ 56-6-101, *et seq*., requires the Company to sell its products and services through producers who are properly licensed and appointed by the Company. In the examination of producer licensing, state-issued licensures and appointments by the Company were verified. Tenn. Code Ann. § 56-6-115(a) states that the insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. Tenn. Code Ann. § 56-6-115(c) requires a notice of appointment be submitted to TDCI within fifteen (15) days from the date the agency contract is executed, or the first insurance application is submitted. Tenn. Code Ann. § 56-6-117 requires the insurer to notify the Commissioner within thirty (30) days following the effective date of the termination of a producer, and requires the insurer to mail a copy of the notification to the producer at the producer's last known address. It was determined that the Company is in compliance with Tenn. Code Ann. § 56-6-115(a) and (c) and § 56-6-117. 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 set forth within the NAIC Market Handbook and Tenn. Code Ann. § 56-8-104.

Underwriting and Rating Standards

In 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), Tenn. Comp. R. & Regs. 0780-01-34, and established Company guidelines. No instances of unfair methods of competition, or unfair or deceptive acts were found in the examination of these policies.

Claims Handling Standards

In the examination of claims handling practices, the Company's efficiency of claim handling, accuracy of payment, adherence to contract provisions, and compliance with applicable statutes and rules were examined. In conducting the examination, random samples were selected from claims approved and claims resisted by the Company. No exceptions were identified regarding prompt settlements, upon receipt of proper evidence of the Company's liability.

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed.

Effective January 1, 2023, the Company entered into a new software lease agreement with Granite that was fair and reasonable. The agreement changed the rate the Company paid Granite to be in compliance with Tenn. Code Ann. §§ 56-11-106(a)(1)(A) and 56-11-106(a)(1)(D). The agreement was non-disapproved by the Department on November 8, 2023, retroactive to January 1, 2023.

Effective January 1, 2023, the Company entered into a cost sharing agreement with Granite, in which the Company will pay the salaries; the related payroll taxes; and the 401K employee benefits for officers, the controller, and two (2) office staff. These salaries and the related payroll taxes and employee benefits are allocated to Granite on a monthly basis at a rate of fifty percent (50%) for the officers and the two (2) office staff, ten percent (10%) for the controller, and twenty percent (20%) for the underwriter. Granite will reimburse the percentage amount back to the Company. The allocated amount will be invoiced by the Company to Granite on a monthly basis. Granite will remit to the Company the appropriate amount within fifteen (15) days of receipt of the invoice. This agreement was non-disapproved by the Department on November 8, 2023, retroactive to January 1, 2023.

Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2022, that could have a material effect on the Company's financial condition. Our review confirmed the Company's disclosures in its 2022 Annual Statement and in its Letter of Representation.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, surplus, and other funds, and a statement of income, as of December 31, 2022, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2022 Annual Statement.

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$280,488	$637	$279,851
Cash, cash equivalents, and short-term investments	6,081,840		6,081,840
Investment income due or accrued	3,063		3,063
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,074,980		1,074,980
Amounts recoverable from reinsurers	391,046		391,046
Current federal and foreign income tax recoverable and interest thereupon	133,588		133,588
Net deferred tax asset	29,000		29,000
Totals	$7,994,005	$637	$7,993,368

LIABILITIES, SURPLUS, AND OTHER FUNDS

Losses		$733,640
Loss adjustment expenses		709,166
Commissions payable, contingent commissions and other similar charges		11,175
Taxes, licenses, and fees (excluding federal and foreign income taxes)		7,297
Borrowed money and interest thereon		163,828
Unearned premiums		422,186
Ceded reinsurance premiums payable		1,458,399
Payable to parent, subsidiaries, and affiliates		122,358
Total Liabilities		3,628,049
Common capital stock	$1,000,000	
Surplus notes	500,000	
Gross paid in and contributed surplus	3,036,036	
Unassigned funds (surplus)	($170,717)	
Surplus as regards policyholders		4,365,319
Totals		$7,993,368

STATEMENT OF INCOME

Underwriting Income

Premiums earned		$1,592,290
Losses incurred	$839,300	
Loss adjustment expenses incurred	261,568	
Other underwriting expenses incurred	1,251,911	
Total underwriting deductions		2,352,779
Net underwriting gain/(loss)		(760,489)

Investment Income

Net investment income earned	46,151	
Net investment gain (loss)		46,151

Other Income

Aggregate write-ins for miscellaneous income	$148,700	
Total other income		148,700
Net income after dividend to policyholders, after capital gains tax and before all other federal and foreign income taxes		(565,638)
Net Income (Loss)		($565,638)

CAPITAL AND SURPLUS ACCOUNT

	2022	2021	2020	2019	2018
Surplus as regards policyholders, December 31, previous year	$4,844,054	$4,893,974	$2,790,073	$3,448,639	$3,280,568
Net income or (loss)	(565,638)	(48,861)	178,568	(415,566)	211,071
Change in net deferred income tax	(6,000)	(7,000)	(11,000)	(3,000)	(3,000)
Changes in surplus notes	0	0	500,000	(240,000)	(40,000)
Surplus adjustments:					
Paid in	92,903	125,217	1,436,333	0	0
Aggregate write-ins for gains and losses in surplus	0	(119,276)	0	0	0
Net change in capital and surplus for the year	(478,735)	(49,920)	2,103,901	(658,566)	168,071
Capital and surplus, December 31, current year	$4,365,319	$4,844,054	$4,893,974	$2,790,073	$3,448,639

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus	$4,365,319

Total capital and surplus, as established by this examination, is the same as reported by the Company in its 2022 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2022.

COMMENTS AND RECOMMENDATIONS

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

Comments

1. The original Software Lease Agreement did not satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1)(A). The original Software Lease Agreement did not have fair and reasonable terms.

   The Company filed a new Software Lease Agreement that complies with the Code. It was non-disapproved by the Department on November 8, 2023, retroactive to January 1, 2023.

Recommendations

1. Tenn. Comp. R. & Regs. 1700-02-01.02 and Tenn. Code Ann. § 66-29-123 requires the holder of property presumed abandoned to report and remit such property to the State Treasurer. The Company has not filed any unclaimed property reports. The Company does not have any written policies or procedures related to unclaimed property.

   It is recommended that the Company report and remit property presumed abandoned to the State Treasurer as required by Tenn. Comp. R. & Regs. 1700-02-01.02 and Tenn. Code Ann. § 66-29-123.

2. Company antifraud initiatives were examined and found to not outline all specific procedures required per Tenn. Code Ann. § 56-53-111. Of the five (5) required procedures, two (2) were determined to be inadequate. The Company's anti-fraud plan states that management is responsible for any fraud investigations and failed to mention the hiring or contracting of fraud investigators. The plan also failed to adequately address attempts to pursue restitution.

It is recommended that the Company hire or contract fraud investigators and pursue restitution of all fraud losses.

3. Tenn. Code Ann. § 56-8-104(11) requires all written complaints be recorded on the Company's complaint register. A review of the complaint register noted that only complaints received from the TDCI were recorded, but not written complaints received directly by the Company.

   It is recommended that the Company record written complaints received directly by the Company, in addition to those received from the TDCI.

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 Preferred Auto Insurance Company, Inc.

In such manner, it was found that as of December 31, 2022, the Company had admitted assets of $7,993,368 and liabilities, exclusive of capital and surplus, of $3,628,049. Thus, there existed for the protection of the policyholders, the amount of $4,365,319 in the form of common capital stock, surplus notes, 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 a minimum surplus of $1,000,000. For this examination, as of December 31, 2022, the Company maintains capital and surplus sufficient to satisfy those requirements.

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, Don Karnes, CFE, Supervising Examiner; Rhonda Bowling-Black, CFE, ARe, MCM; Nneka LaBon, APIR, MCM; and Cy Baek, Insurance Examiners from the State of Tennessee; Carol Riley, AES, CISA, CGEIT, CRISC, CDPSE and Melissa Greiner, Insurance Examiners of the firm Noble Consulting Services, Inc.; Solomon Frazier, FCAS, FSA, MAAA and Brent Sallay, FCAS, MAAA, Examination Actuaries of the firm Taylor-Walker Consulting, LLC.

Respectfully submitted,

Linda Merriweather
Linda Merriweather (Jul 2, 2024 08:10 CDT)

Linda Merriweather, CISA, APIR, MCM
Examiner-in-Charge
State of Tennessee

CERTIFICATION

The undersigned certifies and says that she has duly executed the attached examination report of Preferred Auto Insurance Company, Inc. located in Rossville, Tennessee, dated May 28, 2024, and made as of December 31, 2022, on behalf of the Tennessee Department of Commerce and Insurance. The undersigned further says she is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of her knowledge, information, and belief.

Linda Merriweather
Linda Merriweather (Jul 2, 2024 08:10 CDT)

Linda Merriweather CISA, APIR, MCM
Examiner-in-Charge
State of Tennessee