



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

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**REPORT ON EXAMINATION**  
**OF**  
**STATE VOLUNTEER MUTUAL INSURANCE COMPANY**  
**(NAIC # 33049)**  
**BRENTWOOD, TENNESSEE**

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**AS OF**  
**December 31, 2017**

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Brentwood, Tennessee  
May 31, 2019

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

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-1-408, a full-scope financial examination and a market conduct review, as of December 31, 2017, has been made of the condition and affairs of:

**STATE VOLUNTEER MUTUAL INSURANCE COMPANY**

NAIC # 33049  
101 Westpark Drive, Suite 300  
Brentwood, Tennessee 37027

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, 2012. This examination covers the period January 1, 2013 through December 31, 2017, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of the examination. The Company is not part of a 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 practices and

procedures promulgated in the National Association of Insurance Commissioners (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. Significant inherent risks within the Company were reviewed and assessed. Controls and mitigation for those significant risks were also reviewed. 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 reviewed when planning which key activities and accounts would be examined. The key activities included: Capital and Surplus; Investments; Underwriting/Premiums; Reserving/Claims; and Reinsurance Ceded.

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

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

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

The independent auditor’s workpapers for the 2017 audit were reviewed and copies were incorporated into the examination, as deemed appropriate.

## **COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS**

The examination included a review to determine the current status of the comments and recommendations included in the previous report of examination dated June 13, 2014, which covered the period from January 1, 2008, through December 31, 2012. The previous full-scope examination report contained one (1) recommendation, which is detailed below.

### **Recommendation:**

The Company maintains complaint files for a minimum of five (5) years as required by Tenn. Code Ann. § 56-8-104 (11) Unfair Trade Practices Defined – Failure to Maintain Complaint Handling Procedures. The Company’s complaint handling procedures did not comply with the statutory record keeping requirement. The statute requires the

Company to maintain a complete record of all complaints received since the date of its last examination and that the records indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, and the time it took to process each complaint.

During this examination, the Company provided a complaint register that did not provide a complete record on each complaint and the time taken to process each complaint was not detailed by the Company. It is recommended that the Company comply with Tenn. Code Ann. § 56-8-104 (11) by developing complaint procedures for maintaining complete records on all complaints to include the tracking of the time it took to process each complaint.

**Corrective Action:**

Following completion of the previous examination, the Company made additions to its complaint register so that both the date a complaint is received and the date it is resolved are recorded. It was determined that the Company has complied with the prior exam recommendation concerning its complaint register.

## **COMPANY HISTORY**

The Company was incorporated under the laws of Tennessee on December 1, 1975. The Company was granted a certificate of authority on April 2, 1976, and commenced business on May 15, 1976, as a Tennessee property and casualty mutual insurance company. The Company's principal line of business is underwriting professional liability risks for physicians.

## **MANAGEMENT AND CONTROL**

### **MANAGEMENT**

#### **Directors**

The Company's Bylaws state that the business and affairs of the company shall be managed by a Board of Directors ("Board") who shall be elected at the annual meeting of the members. The Bylaws state that the number of directors shall consist of not less than thirteen (13) and not more than nineteen (19), as the members shall determine. Directors serve three-year terms.

The following persons were serving as directors, as of December 31, 2017:

<b><u>Name</u></b>	<b><u>Principal Occupation</u></b>
Hugh Francis, III, MD	Physician, Memphis Surgery Associates
Robert J. Berkompas, MD	Chief Medical Officer, Alive Hospice
Katrina M. Hood, MD	Physician, Pediatric and Adolescent Associates
William I. Mariencheck, Jr., MD	Physician, The Jackson Clinic
Michael A. McAdoo, MD	Physician, Milan Medical Center
Gary E. Meredith, MD	Physician, Pediatric Diagnostic Associates
John H. Mize, FCAS, MAAA	President and Chief Executive Officer, SVMIC
Elise E. Schriver, MD	Physician, University Pulmonary & Critical Care
Lisa J. Young, MD	Physician, Sutherland Cardiology Clinic, Inc.
John O. Lytle, MD	Physician, South Arkansas Orthopedic Center
Chad T. Couch, MD	Chief Medical Officer, Bristol Regional Medical Center
Wayne A. Hudec, MD	Physician, Ozark Surgical Associates
Raymond S. Martin, III, MD	Physician, Saint Thomas West Clinic
Paul C. McNabb, MD	Physician, St. Thomas Midtown Hospital
Russell E. Miller, CAE	Chief Executive Officer, Tennessee Medical Assn.
Matthew L. Perkins, MD	Physician, Tennessee Medicine and Pediatrics
Jane M. Sneed, MD	Physician, The Children's Clinic

**Officers**

The Bylaws provide that the officers of the corporation shall consist of a Chair, Vice Chair, President and CEO, one (1) or more Vice Presidents, a Secretary, a Treasurer, and such other officers as the Board may determine. The following were duly elected by the Board of Directors on May 2, 2017, and were serving as officers of the Company as of December 31, 2017:

<b><u>Name</u></b>	<b><u>Title</u></b>
Hugh Francis, III, MD	Chair of the Board of Directors
John O. Lytle, MD	Vice Chair of the Board of Directors
John H. Mize	President and Chief Executive Officer
Michael A. Ricciardelli	Chief Financial Officer
Katrina M. Hood, MD	Secretary
Matthew L. Perkins, MD	Treasurer
James W. Howell	Senior Vice President
James E. Smith	Senior Vice President
Robert E. Byrd	VP, Chief Analytics Officer
Sherie L. Edwards	VP, Corporate and Legal
Raymond M. Meador, Jr.	VP, Business Development
Kenneth W. Rucker	VP, Claims
David M. Sesler	VP, Information Systems
Charmy M. Shrode	VP, Underwriting
Thomas H. Stearns	VP, Medical Practice Services
Rochelle E. Weatherly	VP, Risk Education and Evaluation Services

Jackie P. Boswell  
Kathy Cartwright  
Susan Decareaux  
Stephen A. Dickens  
Brian Fortenberry  
Dan Himmelberg  
Julie Loomis  
Andy Meyers  
Judy Musgrove  
Debbie D. Rose  
Judy Vinson  
Alisa Wamble  
Amy J. Banniza  
Susan L. Bennett  
Renee A. Lewis

Asst. VP – Medical Practice Services  
Asst. VP – Risk Analytics  
Asst. VP – Underwriting, Pricing, and Risk Analysis  
Asst. VP – Medical Practice Services  
Asst. VP – Underwriting  
Asst. VP – Claims  
Asst. VP – Risk Education and Evaluation Services  
Asst. VP – Information Systems  
Asst. VP – Marketing and Communications  
Asst. VP – Medical Information Services  
Asst. VP – Risk Education and Evaluation Services  
Asst. VP – Claims  
Controller  
Asst. Corporate Secretary/Director of Finance  
Asst. Corporate Secretary/Administrator - Claims

### **Committees**

By vote the Board may designate five (5) or more directors, two (2) of whom shall be the Chair and Vice Chair of the Board, to constitute an Executive Committee of the Board. The Board may designate and establish such other committees as it deems necessary. The following committees were in place at December 31, 2017:

Executive Committee  
Audit Committee  
Investment Committee  
Claims Management Committee  
Underwriting Committee  
Risk Management Committee  
Budget Committee  
Compensation Committee  
Arkansas Advisory Committee  
Succession Planning Committee

### **CONTROL**

The Company is a mutual company, and as such, is owned by its policyholders, known as “members.” The Company has no subsidiaries or affiliates.

### **CORPORATE RECORDS**

Minutes of the meetings of the members, directors, and committees reflected adequate approval and support of the Company’s transactions. The Board gave regular approval for all investment transactions as required by Tenn. Code Ann. § 56-3-408(b)(1). The Company’s Charter and Bylaws were not amended during the examination period.

## TERRITORY AND PLAN OF OPERATION

### TERRITORY

As of December 31, 2017, the Company was licensed to transact business in the following states: Tennessee, Alabama, Arkansas, Georgia, Indiana, Kentucky, Mississippi, Missouri, North Carolina, and Virginia. During 2018, the Company began efforts to expand its geographical footprint by seeking licensure in other states. As of the date of this report, the Company had received Certificates of Authority from Florida, Iowa, Kansas, Louisiana, Maryland, Michigan, Nebraska, Ohio, Oklahoma, South Carolina, Texas, and West Virginia.

### PLAN OF OPERATION

The Company is a mutual non-profit property and casualty insurance company. The Company's principal line of business is providing medical professional liability insurance for physicians, physician groups, healthcare facilities, and other providers. The policy offered by the Company is a modified claims-made professional liability policy for physicians and surgeons. Under a claims-made policy, coverage is provided for claims asserted while a policy is in effect relating to occurrences which took place during the period the policyholder had continuous coverage with the Company.

The principal markets for the Company's professional liability coverage are Tennessee, Arkansas and Kentucky, with policies also currently being written in Alabama, Georgia, Mississippi, and Virginia.

## 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, as recorded in its annual statements filed with the Department:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Total Surplus</u>	<u>Net Earned Premiums</u>	<u>Net Income</u>
2017	\$1,249,289,587	\$642,515,226	\$606,774,361	\$120,868,701	\$29,645,948
2016	\$1,211,110,827	\$644,116,989	\$566,993,838	\$112,900,741	\$22,365,317
2015	\$1,193,207,275	\$655,231,841	\$537,975,434	\$114,230,854	\$25,483,494
2014	\$1,199,119,923	\$682,541,306	\$516,578,617	\$116,990,272	\$21,470,825
2013	\$1,186,191,611	\$689,536,806	\$496,654,805	\$123,242,690	\$17,378,121

## REINSURANCE

### Assumed

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

### Ceded

To mitigate the severity of loss events, the Company maintains a reinsurance program under which the Company retains the first \$1,000,000 of losses incurred and the first \$2,000,000 of loss adjustment expenses incurred per event, and cedes the remaining risk of policy limits written through various reinsurance treaties. The current reinsurers are Axis Reinsurance Company, Berkley Insurance Company, Endurance Assurance Corporation, Hannover Rück SE, Markel Global Reinsurance Company, Odyssey Reinsurance Company, Transatlantic Reinsurance Company, and various underwriters at Lloyd's, London.

The primary excess of loss treaty is written for a three-year term on a \$1,000,000 in excess of a \$1,000,000 retention basis and covers each and every claim in excess of \$1,000,000 up to \$2,000,000 on policy limits up to \$2,000,000. Additionally, the treaty has a cap of \$10,000,000 on any one incident involving multiple policies.

The second excess treaty is written for a one-year term and covers losses on policies with limits in excess of \$2,000,000, up to SVMIC's highest potential policy limit of \$21,000,000 per claim.

The Company also has two (2) catastrophe awards-made treaties that provide coverage should SVMIC be held liable to pay by reason of actual or alleged "bad faith" in settling a lawsuit within policy limits. The first catastrophe treaty provides coverage for each and every occurrence up to \$25,000,000, with an aggregate limit of \$50,000,000 for all occurrences during the contract. The second treaty provides coverage for each and every occurrence up to \$10,000,000 above the first catastrophe layer with an aggregate limit of \$20,000,000 for all occurrences during the contract. Both treaties require the Company to retain ten percent (10%) of any loss.

In addition, the Company has a claims-made common loss treaty that provides coverage for a series of claims from a single cause (i.e. equipment failure, contaminated vaccine, and other "systemic" events). Each claim arising from such an event could be within the Company's \$1,000,000 primary retention level; however, when aggregated could equal a substantial sum. The treaty covers each and every common loss in excess of \$5,000,000 up to \$15,000,000 with an aggregate limit of \$30,000,000 for all occurrences during the contract. The treaty requires the Company to retain ten percent (10%) of any loss.

Each of the treaties transferred risk in accordance with Statements of Statutory Accounting Principles No. 62R.

## **ACCOUNTS AND RECORDS**

Pursuant to Tenn. Code Ann. § 56-3-903 and Tenn. Comp. R. & Regs. § 0780-01-46-.02(1), the Company must deposit its securities with a qualified custodian via a written agreement. As of December 31, 2017, the Company's custodial agreements for its Supplemental Executive Retirement Plan, Supplemental Executive Thrift Plan, and Deferred Compensation Plan for Non-Employee Officers, Directors and Committee Members with Charles Schwab Bank did not contain all the provisions required by Tenn. Comp. R. & Reg. § 0780-01-46-.02. Subsequent to the examination date and prior to the completion of the examination, the custodial agreements were amended to include all the necessary provisions. See the "Comments and Recommendations" section in this report.

Independent audits were performed each year during the examination period with each resulting in an unqualified opinion. Tenn. Comp. R. & Regs. § 0780-01-65-.08(4) states that no partner or other person responsible for rendering a report by a certified public accounting firm may act in that capacity for more than five (5) consecutive years. The Company's auditors are in compliance with this regulation.

During the course of the examination, certain balances were tested and amounts were traced from the Company's trial balance to the annual statement. All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. These test checks and reviews revealed no material discrepancies.

The Company's Risk-Based Capital Report was in compliance with Tenn. Code Ann. §§ 56-46-101, *et seq.*

The Company's primary books and records were located at 101 Westpark Drive, Suite 300, Brentwood, Tennessee.

## **MARKET CONDUCT ACTIVITIES**

A market conduct review was made of the Company, as of December 31, 2017, in conjunction with this examination. The following items were addressed:

### **Underwriting, Rates and Policy Forms**

In the examination of underwriting and rating, Company operations were examined for compliance with their own underwriting guidelines, filed rates and forms, and applicable statutes and rules. As a result of the examination, no issues or concerns were identified.

### **Complaint Handling Practices**

The Company's complaint handling procedures and complaint register were examined to ensure that records maintained by the Company were in accordance with applicable statutes, rules and regulations, and the timeframe within which the Company responded was reasonable. As a result of the examination, no issues or concerns were identified.

### **Advertising**

All advertising and sales materials utilized by the Company were examined for compliance with statutory and rule requirements. As a result of the examination, no issues or concerns were identified.

### **Claims Handling**

The Company's efficiency of claims handling, accuracy of payment, adherence to policy provisions, and compliance with applicable statutes and rules were examined. As a result of the examination, no issues or concerns were identified.

### **Anti-fraud Plan**

The Company had an anti-fraud plan which met statutory requirements. Company procedures were reviewed to ensure they included proper guidance for employees. Company operations were examined for implementation of anti-fraud measures and management was questioned about past, present, and future fraud issues and concerns. As a result of the examination, no issues or concerns were identified.

### **Privacy of Consumer Information**

The Company's policies and procedures for the privacy of consumer information were examined to ensure the Company had developed and implemented written policies and procedures for the management of confidential and personal insurance information. As a result of examination, no issues or concerns were identified.

## FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of income, as of December 31, 2017, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2017 annual statement.

### ASSETS

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$960,530,625	\$205,756	\$960,324,869
Common stocks	213,683,926		213,683,926
Real estate:			
Properties occupied by the company	2,048,433		2,048,433
Cash, cash equivalents, and short- term investments	17,132,275		17,132,275
Investment income due and accrued	8,677,443		8,677,443
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	638,176	177,540	460,636
Deferred premiums and installments booked and not yet due	16,725,613	3,522	16,722,091
Reinsurance:			
Amounts recoverable from reinsurers	1,952,357		1,952,357
Other amounts receivable under reinsurance contracts	78,817		78,817
Net deferred tax asset	3,011,506		3,011,506
Guaranty funds receivable or on deposit	89		89
EDP processing equipment and software	1,080,780	954,460	126,320
Furniture and equipment	1,106,886	1,106,886	--
Aggregate write-ins for other than invested assets	25,954,804	883,979	25,070,825
<b>Totals</b>	<u>\$1,252,621,730</u>	<u>\$3,332,143</u>	<u>\$1,249,289,587</u>

**LIABILITIES, SURPLUS, AND OTHER FUNDS**

Losses		\$239,831,320
Loss adjustment expenses		232,668,680
Other expenses		53,050,276
Taxes, licenses, and fees		461,085
Current federal and foreign income taxes		5,799,213
Unearned premiums		66,175,405
Advance premium		3,991,559
Policyholders dividends declared and unpaid		2,705,233
Funds held by company under reinsurance treaties		37,778,455
Provision for reinsurance		<u>54,000</u>
<b>Total liabilities</b>		<b>642,515,226</b>
Unassigned funds (surplus)	<u>\$606,774,361</u>	
Surplus as regards policyholders		<u>606,774,361</u>
<b>Totals</b>		<b><u>\$1,249,289,587</u></b>

## STATEMENT OF INCOME

### UNDERWRITING INCOME

Premiums earned		\$120,868,701
Deductions:		
Losses incurred	\$28,968,468	
Loss adjustment expenses incurred	52,033,494	
Other underwriting expenses incurred	<u>22,436,155</u>	
Total underwriting deductions		<u>103,438,117</u>
Net underwriting gain (loss)		17,430,584

### INVESTMENT INCOME

Net investment income earned	27,454,424	
Net realized capital gains (losses)	<u>1,177,719</u>	
Net investment gain (loss)		28,632,143

### OTHER INCOME

Net gain (loss) from premium balances charged off	(27,021)	
Miscellaneous income	<u>2,558</u>	
Total other income		<u>(24,463)</u>
Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		46,038,264
Dividends to policyholders		<u>6,507,174</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		39,531,090
Federal and foreign income taxes incurred		<u>9,885,142</u>
Net income		<u>\$29,645,948</u>

**CAPITAL AND SURPLUS ACCOUNT**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Surplus as regards policyholders, December 31 prior year	\$566,993,838	\$537,975,434	\$516,578,617	\$496,654,805	\$464,046,269
Net Income	29,645,948	22,365,317	25,483,494	21,470,825	17,378,121
Change in net unrealized capital gains	27,244,832	6,169,719	(1,444,983)	6,269,357	12,433,081
Change in net deferred income tax	(11,501,656)	(1,604,153)	(3,668,610)	687,768	(2,082,208)
Change in nonadmitted assets	(382,638)	4,047,964	(960,797)	1,379,085	9,806,824
Change in provision for reinsurance	4,500	(21,500)	(37,000)	-	49,000
Cumulative effect of changes in accounting principles	-	-	-	-	(11,316,788)
Surplus adjustments: Paid In	-	-	-	(65,145)	-
Aggregate write-ins for gains and losses in surplus	(5,230,463)	(1,938,943)	2,024,713	(9,818,078)	6,340,506
Change in surplus as regards policyholders for the year	<u>39,780,523</u>	<u>29,018,404</u>	<u>21,396,817</u>	<u>19,923,812</u>	<u>32,608,536</u>
Surplus as regards policyholders, December 31 current year	<u>\$606,774,361</u>	<u>\$566,993,838</u>	<u>\$537,975,434</u>	<u>\$516,578,617</u>	<u>\$496,654,805</u>

## ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Surplus

\$606,774,361

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

## COMMENTS AND RECOMMENDATIONS

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

### Comments

1. As noted above in "Accounts and Records," as of December 31, 2017, the Company's custodial agreements for its Supplemental Executive Retirement Plan, Supplemental Executive Thrift Plan, and Deferred Compensation Plan for Non-Employee Officers, Directors, and Committee Members with Charles Schwab Bank did not contain all the provisions required by Tenn. Comp. R. & Reg. § 0780-01-46-.02. Subsequent to the examination date and prior to the completion of the examination, these custodial agreements were amended to include all the necessary provisions.

## 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 State Volunteer Mutual Insurance Company.

In such manner, it was found that as of December 31, 2017, the Company had admitted assets of \$1,249,289,587 and liabilities, exclusive of surplus, of \$642,515,226. Thus, there existed for the additional protection of the policyholders, the amount of \$606,774,361 in the form of unassigned funds (surplus). Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum surplus of \$2,000,000. For this examination, as of December 31, 2017, the Company maintains 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, Jay Uselton, CFE; Shelli Isiminger, MCM, FLMI, AIRC, ACS; Nneka LaBon, and James T. Pearce, Jr., Insurance Examiners for the State of Tennessee, Ryne Davison, CFE; Jessica Lynch, CFE; Glenn Tobleman, FSA, FCAS, MAAA and Mike Mayberry, FSA, MAAA of Lewis & Ellis, Inc., Richardson, Texas, and Brent Bostic, AAI and Stefan Oberreicholz-Bangert, AES, CISA, CISM, of Noble Consulting Services, Inc., Indianapolis, Indiana, participated in the work of this examination.

Respectfully submitted,



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Rhonda Bowling-Black, CFE, ARe, MCM  
Examiner-in-Charge  
State of Tennessee

# AFFIDAVIT

The undersigned deposes and says she has duly executed the attached examination report of State Volunteer Mutual Insurance Company located in Brentwood, Tennessee, dated May 31, 2019, and made as of December 31, 2017, on behalf of the Tennessee Department of Commerce and Insurance. Deponent 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.



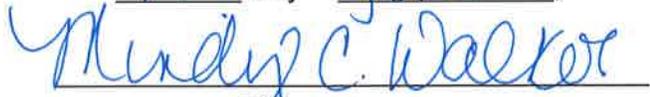
Rhonda Bowling-Black, CFE, ARe, MCM  
Examiner-in-Charge  
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 14th day of June, 2019

  
(NOTARY)



My Commission Expires: 7.6.2020

# **EXHIBIT B**



**State Volunteer  
Mutual Insurance Company**

101 Westpark Drive  
Suite 300  
Brentwood, TN 37027

**P 800.342.2239  
F 615.370.1343**

June 14, 2019

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

RE: Report of Examination – State Volunteer Mutual Insurance Company

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for State Volunteer Mutual Insurance Company as of December 31, 2017.

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

Regards,

A handwritten signature in blue ink, appearing to read "Michael Ricciardelli", is written over a horizontal line.

Michael A. Ricciardelli  
Chief Financial Officer