Report of Examination

of

Greene County Farmers Mutual Fire Insurance Company

of Greeneville, Tennessee

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Dept. Of Commerce & Insurance
Company Examinations

Willie Good, Secretary

110 South Main Street

Greeneville, TN 37744

Examination made as of: December 31, 2006

Examiner in Charge: James T. Pearce, Examiner III

Examination commenced: June 4, 2007

Examination completed: May 16, 2008

Table of Contents

Caption	Page
Introduction	4
Officers	4
Directors	4
Compensation of officers, directors, appraisers, adjusters, et al	5
Report of changes in the Charter or By-Laws, policy forms, or other agreements during the period covered by this examination	5
Copies of the By-Laws and policy forms have been filed with the Department of Commerce and Insurance and they are filed with the work papers of this report	5
Report on reinsurance assumed and / or ceded	5
Appraisal and classification of risks taken	7
Annual rate of assessment per $1,000.00 for period covered	8
Rate of membership, policy and initial fees charged	9
Date of last assessment	9
Amount delinquent	9
The assessment provides for all losses, expenses and other liabilities, including borrowed money	9
Amount of money borrowed since date of last assessment	9
Exhibit of Risks	10
Claims Paid in 2006	10
Financial Statement	10
Assets	12
Schedule and description of all other assets, including real estate, mortgage loans, bonds, etc., and interest or rents due or accrued thereon	13
Assets pledged or hypothecated	13
Comments on claims, borrowed money and other liabilities	13
Analysis of Changes in Financial Statement and Comments Resulting From Examination	13
Cash In Banks	13
Certificates of Deposit	14

Summary Schedule for "Analysis Of Changes In Financial Statement" 14
Comments on acts of officers and directors; any apparent violations of the Association's By-Laws, or of the laws of the State of Tennessee; general comments regarding the conduct of business 14
Investment in Home Office Land and Building 14
Liability Premium Collected on Behalf of Farmers Mutual of Tennessee 14
Policy Commissions 14
Refunds Due on Premium Taxes 15
Reconciliation of 2006 Annual Statement Income and Disbursements to the 2006 General Ledger 15
Bank Account Reconciliations 15
Information Systems 16
SUBSEQUENT EVENTS - New Legislation Requirements for County Mutual Insurance Companies 16
Consultant 16
Agent's Licensing 16
Revision of By-Laws 17
Revision of Policy Forms 17
Summary of Examiners' Recommendations 17
1. Investment in Home Office Land and Building 17
2. Liability Premium Collected on Behalf of Farmers Mutual of Tennessee 17
3. Calculation of Premium Taxes 17
4. Outstanding Check Reconciliations 18
SUBSEQUENT EVENTS 18
5. Agent's License 18
6. Revision of By-Laws 18
7. Revision of Policy Forms 18
Examination Affidavit 19

Date of Report: June 2, 2008

Examined as of: December 31, 2006

Last Examination as of: December 31, 2001

Honorable Leslie S. Newman
Commissioner of Commerce and Insurance
State of Tennessee
Nashville, Tennessee 37243

Commissioner,

Pursuant to your instructions, I have made an examination and submit the following report of the conditions and affairs of the

Greene County Farmers Mutual Fire Insurance Company

Greeneville, Tennessee

(hereinafter referred to as the "Company").

Officers

Title	Name	Address	Term Expires
President	Johnny C. Ottinger, Sr.	Greeneville, TN	January 2007
Vice President	James V. Carter	Greeneville, TN	January 2007
Secretary & Treasurer	Willie Good	Chuckey, TN	January 2007

Directors:

Name	Address	Term Expires
James V. Carter, Vice President	Greeneville, TN	January 2007
Willie Good, Secretary & Treasurer	Chuckey, TN	January 2007
Lynn Rollins	Greeneville, TN	January 2007
Robert Drain	Afton, TN	January 2007
Alford Taylor	Greeneville, TN	January 2007
Everette Burchette	Greeneville, TN	January 2008
Johnny C. Ottinger, Sr.	Greeneville, TN	January 2008
David Susong	Greeneville, TN	January 2008

Name	Address	Term Expires
Bobby Wells	Greeneville, TN	January 2008
Mark Douthat	Mohawk, TN	January 2008
David Meyers	Mosheim, TN	January 2009
Sam Ward	Greeneville, TN	January 2009
Buddy Swecker	Greeneville, TN	January 2009
Joe Swanay	Chuckey, TN	January 2009
Jack Renner	Greeneville, TN	January 2009

Compensation of officers, directors, appraisers, adjusters, et al:

Compensation of the Company's agents, officers, directors and employees was reviewed and found to be in compliance with Tennessee statutes.

Report of changes in the Constitution or By-Laws, policy forms, or other agreements during the period covered by this examination.

The Company's By-Laws were changed by adding "only normal household items are to be covered in a dwelling" at the annual policyholders meeting on January 22, 2004.

Subsequent Events:

Beginning effective January 1, 2007 the Company added the phrase "A County Mutual Insurance Company" under the name of the Company on all documents, forms, stationary and advertising information.

Beginning January 1, 2007, the Company increased its deductible for all claims from $100 to $250.

Copies of the By-Laws and policy forms have been filed with the Department of Commerce and Insurance and are filed with the work papers of this report.

The Company made changes to its By-Laws and policy forms during the period under examination. These were submitted to the Tennessee Department of Commerce and Insurance ("Department") and approved by the Rating Section in December 2006.

Report on reinsurance assumed and / or ceded:

On March 23, 2004 the Company and Farmers Mutual of Tennessee ("Reinsurer") signed an Excess of Loss Reinsurance Agreement with an effective date of January 1, 2004. The agreement calls for the Reinsurer to accept that portion of the Company's gross liability on any risk which exceeds its net retained liability on any one (1) specific risk and in the aggregate for all losses. The terms reflected a continuous contract until cancelled by either party with 60 days advance notice.

Type: Exhibit A – Combination Per Risk and Aggregate Layer
Coverage: Exhibit A – Combination Per Risk and Aggregate Layer

Part 1 – Property Risk Excess of Loss covers each loss in excess of the Company's $35,000 maximum retention up to the Reinsurers $65,000 maximum per risk.

Part 2 – Aggregate Excess of Loss covers the Company's ultimate net losses in the aggregate for each calendar year in excess of the greater or 80% of the Company's gross assessment and / or premium income or $256,000 and shall not exceed 100% of the lesser of 45% of the Company's gross assessment and / or premium income or $216,000 in the aggregate on an annual basis.

An annual deposit premium of $50,000 shall be paid to the Reinsurer in two (2) equal installments of $25,000 each on January 1 and July 1.

Type: Exhibit B – Second Aggregate Layer
Coverage: Covers 100% of the Company's ultimate net losses in the aggregate for each calendar year in excess of the greater or 125% of the Company's gross assessment and / or premium income or $400,000 and shall not exceed 100% of the lesser of 125% of the Company's gross assessment and / or premium income or $600,000 in the aggregate on an annual basis.

An annual deposit premium of $12,000 shall be paid to the Reinsurer in two (2) equal installments of $6,000 each on January 1 and July 1.

The Estimated Gross Assessment and / or Premium Income for 2004 is $400,000.

Type: Exhibit C - Third Aggregate Layer
Coverage: Covers 100% of the Company's ultimate net losses in the aggregate for each calendar year in excess of the greater or 250% of the Company's gross assessment and / or premium income or $800,000 and shall not exceed 100% of the lesser of 750% of the Company's gross assessment and / or premium income or $3,600,000 in the aggregate on an annual basis.

An annual deposit premium of $10,000 shall be paid to the Reinsurer in two (2) equal installments of $5,000 each on January 1 and July 1.

On April 29, 2005 the Company and the Reinsurer signed Addendum Number 1 (with an effective date of January 1, 2005) as an attachment to the Company's Excess of Loss Reinsurance Agreement. This Addendum amended the aforementioned Excess of Loss Reinsurance Agreement effective January 1, 2004 as follows:

Coverage: Exhibit A – Combination Per Risk and Aggregate Layer-2005

Part 2 – Aggregate Excess of Loss covers the Company's ultimate net losses in the

aggregate for each calendar year in excess of the greater or 75% of the Company's gross assessment and / or premium income or $306,000 and shall not exceed 100% of the lesser of 50% of the Company's gross assessment and / or premium income or $306,000 in the aggregate on an annual basis.

An annual deposit premium of $45,000 shall be paid to the Reinsurer in two (2) equal installments of $22,500 each on March 1 and September 1.

The Estimated Gross Assessment and / or Premium Income for 2005 was $515,000.

Type: Exhibit B – Second Aggregate Layer-2005
Coverage: Covers 100% of the Company's ultimate net losses in the aggregate for each calendar year in excess of the greater or 125% of the Company's gross net assessment and / or premium income or $400,000 and shall not exceed 100% of the lesser of 125% of the Company's gross assessment and / or premium income or $600,000 in the aggregate on an annual basis.

An annual deposit premium of $15,000 shall be paid to the Reinsurer in two (2) equal installments of $7,500 each on March 1 and September 1.

The Estimated Gross Assessment and / or Premium Income for 2005 is $515,000.

Type: Exhibit C - Third Aggregate Layer-2005
Coverage: Covers 100% of the Company's ultimate net losses in the aggregate for each calendar year in excess of the greater or 250% of the Company's gross assessment and / or premium income or $1,020,000 and shall not exceed 100% of the lesser of 750% of the Company's gross assessment and / or premium income or $4,500,000 in the aggregate on an annual basis.

An annual deposit premium of $12,750 shall be paid to the Reinsurer in two (2) equal installments of $6,375 each on March 1 and September 1.

Appraisal and classification of risks taken:

Appraisals at the time of application are made by the agent and approved by the resident director (the President has 10 days to reject coverage). The Company at year-end 2006 retained three (3) agents (Don McNeese, Wayland Huff and Grady Shelton) that were issued a special "Limited Insurance Producer" agent's license by the Department that was specifically designed for those agents who worked for "county mutual" insurance companies.

In most cases, at the time of loss, the claim is appraised by the director that resides in the district where the damaged property was located and the claim payment was approved within 10 days of appraisal by the President.

Policies are typically written for the full value of the property insured subject to policy limits of

$35,000 per risk before reinsurance up to a $100,000 maximum per risk in accordance with the terms of the Company's Excess of Loss Reinsurance Agreement with the Reinsurer.

Property eligible to be insured includes rural and suburban property, churches, residences, barns, outbuildings, carpenter shops, tools and equipment, all household goods, farming tools and equipment and all other personal property commonly used in farming.

Annual rate of assessment per $1,000.00 for period covered:

	2002	2003	2004	2005	2006
All Lines First Year	$3.50	$3.50	$3.50	$6.00	$6.00
Additional Years	$3.50	$3.50	$3.50	$4.50	$4.50

Single-Wide Mobile Home Trailers (through Feb. 2, 2005)	
Owner Occupied	$14.00
Owner Occupied (heated with wood or kerosene)	$17.00
Owner Occupied (over 10 years old)	$16.00
Owner Occupied (over 10 years old and heated with wood or kerosene)	$19.00
Rental Trailers	$24.00
Rental Trailers (heated with wood or kerosene)	$30.00

Single-Wide Mobile Home Trailers (from Feb. 3, 2005 to current date)	
Owner Occupied	$15.00
Owner Occupied (heated with wood or kerosene installed by owner)	$18.00
Owner Occupied (over 10 years old and heated with wood or kerosene installed by owner)	$20.00
Rental Trailers	$25.00
Rental Trailers (heated with wood or kerosene installed by owner or renter)	$31.00

The Company's policyholders on January 22, 2005 approved a rate of $6.00 per thousand for the first year and $4.50 per thousand for each year thereafter for all new or increased policies, except for mobile home trailers. Also, the rate for double-wide mobile home trailers increased from $8.00 per thousand to $9.00 per thousand as approved by the Company's policyholders on January 22, 2005.

Subsequent Event:

The Company's policyholders on January 20, 2007 approved an increase in the amount of the policyholder deductible from $100.00 to $250.00.

Rate of membership, policy and initial fees charged.

There is no separate membership fee charge even though the Company noted amounts on each annual statement during the period of examination (2002 – 2006) for "Gross Membership Fees". The amounts shown as "Gross Membership Fees" on the Income section actually reflects the $4.00 per $1,000 commission paid to the Company's agents for new, increased or renewal coverage for the first year of the policy.

Date of last assessment.

The Company's newer policies have a premium payment schedule that begins on the anniversary date of the policy. The premium payment schedule for older policies begins in March of each year on the policy anniversary date.

Amount delinquent.

There have never been any delinquencies. The Company sends a past due notice approximately 30 days and then 60 days after the premium due date (policy anniversary date). The Company cancels policies if assessments are not paid within ten days of cancellation notification for mortgaged property and five days of non-mortgaged property.

The assessment provides for all losses, expenses and other liabilities, including borrowed money.

The Company's profitability during the period of examination is reflected in the following table:

	2002	2003	2004	2005	2006*
Gross Assessments	$534,827.52	$483,219.00	$508,133.00	$618,259.00	$649,600.58
Less: Losses & Expenses	(547,560.16)	(535,571.00)	(490,398.00)	(541,503.00)	(655,340.99)
Underwriting Gain/(Loss)	(140,467.70)	(52,352.00)	17,735.00	76,756.00	(5,740.41)
Investment & Other Income	83,264.47	94,881.00	107,012.00	58,264.00	46,446.49
Net Income / (Loss)	$70,531.83	$42,529.00	$124,747.00	$135,020.00	$40,706.08

* These income, expense, profit and loss totals were determined as a result of this examination.

Amount of money borrowed since date of last assessment.

The Company did not borrow any money during the period of examination (2002 – 2006).

Exhibit of Risks

		Amount
1.	In force, December 31, 2005	$126,062,465
2.	Written	9,671,300
3.	Total	135,733,765
4.	Deduct those expired and marked off as terminated	9,875,795
5.	In force, December 31, 2006	$125,857,970

Claims Paid in 2006

Fire Losses Paid	$114,806.53
Tornado or Wind Losses Paid	12,043.88
Lightning Losses Paid	1,961.70
Gross Amount Paid Policyholders for Losses	$128,812.11

Financial Statement as Determined by this Examination

Income

Ledger Assets per Company, December 31, 2005		$2,105,695.00
Gross Agent Fees Collected	$78,168.35	
Gross Premium Assessments	571,432.58	
Gross Liability Prem. Assessments (F. M. F. Ins. Co. of TN)	12,372.00	
Deduct: Reinsurance Premiums Ceded	(117,786.00)	
Deduct: Liability Premiums Sent to F. M. F. Ins. Co. of TN	(12,721.15)	
Deduct: Return Assessments	(10,100.12)	
Net Assessments	521,365.66	
Gross Interest On Reserve Accounts	31,445.35	
Miscellaneous Income	2,629.14	
Total Income (per Exam)		555,440.15
Total 2006 Income and Balance		2,661,135.15

Disbursements

Total amount paid for losses (net of $0.00 for reinsurance)	$306,791.93	
Expenses of adjustment and settlement of losses	27,600.00	
Agents Commissions	50,816.00	
Salaries and compensation of officers, directors, & employees	68,099.75	
Advertising	5,093.97	
Printing and stationery	434.73	
Postage, telegrams, telephones and express	3,747.51	
Legal Expenses and Professional Fees	1,442.23	
Office Furniture and Fixtures	9,139.32	
Insurance department licenses and fees	22,375.00	
Internal Audit Fees Paid To Directors	75.00	
Bank Charges - Returned Checks	1,406.70	
Bank Charges - Returned Checks & Fees	1,559.00	
Bank Charges - Voided Check	25.00	
Bills - Dues & Etc.	1,974.96	
Bills - Electricity	1,275.84	
Bills - Gas	895.15	
Bills - Membership Fees	2,789.06	
Bills - Water & Sewer	76.71	
Insurance - Building	1.101.00	
Insurance - Employees	604.00	
Misc. Expense - Annual Meeting	235.88	
Misc. Expense - Book Balance Adjustment – Debit	6.65	
Misc. Expense - Employee Christmas Gifts (Avon)	67.50	
Misc. Expense – Flowers	21.95	
Office Expense – Accounting	140.00	
Office Expense – Candy	195.17	
Office Expense – Checks	30.80	
Office Expense - Deposit Slips	19.65	
Office Expense – Food	267.65	
Office Expense – Maintenance	1,847.30	
Office Expense – Supplies	2,994.28	
Taxes – 940	175.00	
Taxes – FUTA	282.63	
Taxes - City Property Taxes	646.00	
Taxes - County Property Taxes	480.00	
Total disbursements (per Exam)		514,733.72
Ledger Asset Balance per Exam before Adjustments		2,146,401.43
Examination Adjustment to Balance to Assets and Surplus Total per Exam		50,474.82
Admitted Ledger Assets per Exam after Adjustment		$2,196,876.25

Assets

Cash in Company's Office	$1,064.87	
Cash in banks	284,205.07	
Other Assets – Certificates of Deposit	1,911,606.31	
Total admitted assets per examination		$2,196,876.25

Liabilities

Total Liabilities per examination	-0-
Surplus over all liabilities per exam	$2,196,876.25
Total per examination	$2,196,876.25

Assets

Cash in Company's Office $1,064.87

Schedule of Bank Deposits:

Name of Bank	Amount on Bank Statement	Amount of O/S Checks	Adj. Items	Balance Per Exam
Greene County Bank – Checking	$33,067.43	($5,035.52)	0	$28,030.91
Greene County Bank – Money Mkt.	63,199.11	0	*0	63,199.11
Andrew Johnson Bank – Checking	23,833.48	(125.00)	0	23,708.48
Andrew Johnson Bank – Money Mkt.	24,254.08	0	0	24,254.08
Andrew Johnson Bank - Money Mkt.	126,231.38	0	0	126,231.38
Consumer Credit Union - Savings	18,780.11	0	0	18,780.11
	$289,365.59	($5,160.52)	$0.00	$284,205.07

*NOTE: The Company's book balance for this account did not include a $253.86 interest payment for this account made in December 2006.

Certificates of Deposit:

American Patriot Bank	$103,000.00	$103,000.00
Andrew Johnson Bank	105,198.77	
	108,377.71	
	103,230.55	316,807.13

Bank of America	106,685.97	106,685.97
Consumer Credit Union	114,746.76 100,000.00	214,746.76
First Tennessee Bank	58,408.56 58,408.56 580,795.36	697,612.48
Greeneville Federal Bank	203,634.23 160,534.26	364,168.49
Heritage Community Bank	108,585.48	108,585.48
TOTAL CERTIFICATES OF DEPOSIT		$1,911,606.31
TOTAL CASH IN BANKS (INCLUDING C. D.s)		$2,195,811.38

Schedule and description of all other assets, including real estate, mortgage loans, bonds, etc., and interest or rents due or accrued thereon:

Real Estate :

Home Office Land and Building (less depreciation) $0.00

Assets pledged or hypothecated:

None.

Comments on claims, borrowed money and other liabilities:

Claims appeared to be paid promptly and to the satisfaction of policyholders.

The Company borrowed no money during the period of examination (2002 – 2006).

Analysis of Changes in Financial Statement and Comments Resulting From Examination

Cash in Banks **$284,205.07**

The above amount is $253.86 more than the $283,960.00 amount reported by the Company on line 42 in its 2006 Annual Statement. This difference was composed of a $253.86 interest payment received in the Company's Greene County Bank money market account in December 2006 that was not included in the Company's book balance for this total as of year-end 2006.

Certificates of Deposit **$1,911,606.31**

The above amount is $12,461.69 less than the $1,924,068.00 amount reported by the Company on line 53 in its 2006 Annual Statement. The Examiner used bank confirmations, bank statements and in some cases copies of the actual certificates to determine the actual principal balances of the Company's thirteen (13) certificates of deposit in order to disclose the asset values on a cash basis.

Summary Schedule for "Analysis Of Changes In Financial Statement"

The following depicts the change in surplus as outlined in the previous section of this report:

Item	Surplus Increase	Surplus Decrease
Cash In Banks	$253.86	
Certificates of Deposit		$12,461.69
Totals	$253.86	$12,461.69
Net Change In Surplus		$12,216.75

Comments on acts of officers and directors; any apparent violations of the Association's By-Laws, or of the laws of the State of Tennessee; general comments regarding the conduct of business:

Investment in Home Office Land and Building:

The Company did not show a value for its home office land and building as of year-end 2006 on its Annual Statement submitted to the Department. The Company purchased its home office land and building on March 30, 1992, for a sum of $33,951.00. The Company should record on future Annual Statements the depreciated value of its home office land and building including improvement costs in accordance with NAIC Statements of Statutory Accounting Principals SSAP # 19 and SSAP # 40.

Liability Premium Collected on Behalf of Farmers Mutual of Tennessee

The Company's 2006 Annual Statement reflected the receipt and transfer of liability premiums collected from the Company's policyholders on behalf of Farmers Mutual of Tennessee (Farmers Mutual). The deposit of these premiums in the Company's bank account was shown as an asset and income on the Company's 2006 Annual Statement. Future statutory filings should also reflect these premiums held for Farmers Mutual as an offsetting liability. Also, the Company should show any commissions received from Farmers Mutual on the Income Section of its Annual Statement as compensation for producing these liability policies for Farmers Mutual.

Policy Commissions:

The Company's agents receive $4.00 per thousand commission for new, increased or renewal coverage for the first year of the policy, only. The Company searched through its policyholder and director

meeting minutes back to the mid 1940's in an effort to determine when the Company's directors or policyholders approved the payment of $4.00 per thousand for agent's commission. The Company was unable to verify the approval by the directors or policyholders of the current rate of $4.00 per thousand for agent's commission. The Company's directors should officially approve the current rate of agent's commission and this approval should be duly noted in the minutes of the director's meeting whereby approval was granted.

Refunds Due on Premium Taxes:

A review of the Company's calendar year 2002 through 2006 Statement of Premiums and Fees For Taxation revealed that the Company was due a refund of approximately $10,056.00 or $9,277.00 more than the $779.00 refund amount reported by the Company for the 2006 tax year. Also, the Examiner determined that the Company was due a total refund of approximately $11,726.00 for the 2005 tax year which included the $8,983.00 revised tax statement amount plus the $2,743 amount of tax payment made to the TDCI in error.

A further review of the Company's calendar year 2002 through 2006 Statement of Premiums and Fees For Taxation revealed that the Company in each case failed to correctly calculate the amount of premium tax subject to reduction on Schedule C based upon the amount of Tennessee investments held by the Company as defined by Tenn. Code Ann. §56-4-210 and the annual premium tax form's instructions.

Reconciliation of 2006 Annual Statement Income and Disbursements to the 2006 General Ledger:

The Company accounts for its business operations on a cash basis and records these transactions in totality on a cash basis in its 2006 Annual Statement using line item categories. The Company records its income and disbursements on an account level basis using Microsoft Money. The Examiner attempted to reconcile the different categories of income and disbursements disclosed on its 2006 Annual Statement to the Company's 2006 General Ledger compiled via Microsoft Money.

The Examiner was not able to reconcile the total amount of gross premium assessments, reinsurance premiums paid, return assessments, gross interest income from investments and miscellaneous income shown on the Income Section of the 2006 Annual Statement to the corresponding total amounts shown on the general ledger. Therefore, the Examiner could not account for $61,045.85 more in revenue shown on the 2006 Annual Statement as compared to the 2006 general ledger.

Additionally, the Examiner was not able to reconcile the total amount of "all other licenses, fees and taxes" and "other disbursements, viz" shown on the Disbursements Section of the 2006 Annual Statement to the corresponding total amounts shown on the general ledger. Therefore, the Examiner could not account for $1,644.88 fewer disbursements shown on the 2006 Annual Statement as compared to the 2006 general ledger.

It appears that the Company is not recording the interest received from its certificates of deposit that is being reinvested and added to the principal amount invested by the depository banks in its general ledger compiled using Microsoft Money. This appears to partially account for the un-reconciled difference between the Company's $88,616 2006 Annual Statement total and the $31,445.35 combined account total shown on the general ledger for investment income.

Bank Account Reconciliations:

The Company submits its bank account information to its CPA firm in order to prepare the Company's Annual Statement before the Company's Annual Policyholder meeting in January of each year. This time constraint does not allow the Company to accurately reconcile all of its bank accounts. The

Company does not receive all of its December 2006 bank account statements until the second or third week of January 2007. The Company did not include all bank fees and interest payments made in December 2006 in its reconciled book balances for each bank account disclosed in its Annual Statement because it submits information to be included in its Annual Statement before it has received and recorded all December 2006 bank statement items to be reconciled as of December 31, 2006.

Furthermore, the Company does not maintain a separate listing of outstanding checks. A separate list of outstanding checks should be used during the bank account reconciliation process in order to reveal exactly which outstanding items compose the difference between the balance per bank statement and balance per the Company's books as of a specific date. Also, in order to be certain the Company is in compliance with the unclaimed property laws found in Title 66, Chapter 29 of Tennessee Code Annotated the Company should separately track outstanding checks.

Information Systems

The Company as of year-end 2006 utilized Microsoft Money to account for all income and disbursements. The Company as of year-end 2006 used a custom policy database system based on Microsoft Access to issue policyholder premium bills, track premium receipts and record information on an individual policy basis. The Company's policy application software was developed specifically for the Company by a local information technology firm.

Subsequent Events:

New Legislation Requirements for County Mutual Insurance Companies

"The Tennessee County Mutual Insurance Company Act of 2006" required the Company to make certain changes to its Charter, By-Laws, Application Forms, Policy Forms, Claim Forms, Stationary, etc. with the approval of the Department prior to the January 1, 2007 effective date. Another important change involves the submission of future annual statements in accordance with NAIC Annual Statement Instructions and the NAIC Accounting Practices and Procedures Manual.

Consultant:

The Company's Directors on January 20, 2007 approved hiring a CPA to assist the Company in meeting the new accounting and annual statement requirements set forth by "The Tennessee County Mutual Insurance Company Act of 2006".

Agent's Licensing:

The Company's agents were Don McNeese, Wayland Huff and Grady Shelton. These agents, as of December 31, 2006, held a special "Limited Insurance Producer" agent's license specifically designed for agents that worked for "county mutual" insurance companies. As of July 1, 2007 these limited insurance producer agents' licenses were no longer effective and all county mutual agents must be licensed to sell "property" and/or "casualty insurance, depending on the type of coverage sold, as required by Tenn. Code Ann. § 56-22-113. The Company's agents also write liability coverage on behalf of Farmers Mutual Insurance Company of Knoxville, Tennessee for its policyholders.

Revision of By-Laws:

Furthermore, the Company's By-Laws did not include the non-renewal provisions denoted in Tenn. Code Ann. § 56-7-1902 in accordance with Tenn. Code Ann. § 56-22-109(b)(2) (effective January 1, 2007). Tenn. Code Ann. §56-7-1902(a) states "(a) Unless the non-renewal notice contains a reason for such non-renewal action, such notice shall advise the insured that upon written request of the named insured, mailed or delivered to the insurer not later than fifteen (15) days after the effective date of the non-renewal, the insurer will within twenty (20) days mail to the named insured a written statement specifying a reason for such non-renewal action." Tenn. Code Ann. §56-7-1902(b) states "(b) There shall be no liability on the part of, and no cause of action of any nature shall arise against, any insurer, its authorized representative, its agents, its employees, or against any firm, person or corporation furnishing information to the insurer, as to the reason for non-renewal".

Revision of Policy Forms:

The Company's policy form provided to the Examiner did not reflect the cancellation and non-renewal provisions disclosed in Tenn. Code Ann. § 56-7-1902 in accordance with Tenn. Code Ann. § 56-22-109(b)(2) (effective January 1, 2007). See the "Revision of By-Laws" comment above for the non-renewal provisions disclosed in Tenn. Code Ann. § 56-7-1902.

Recommendations:

It is recommended that the Company implement the following measures of corrective action for purposes of complying with statutory requirements and accepted insurance accounting procedures pursuant to Tenn. Code Ann. § 56-22(a)(4):

1. Investment in Home Office Land and Building:

It is recommended that the Company record on future Annual Statements the depreciated value of its home office land and building including improvement costs in accordance with Tennessee Code Annotated §56-22-109(a)(4) and the NAIC Statements of Statutory Accounting Principals SSAP # 19 and SSAP # 40.

2. Liability Premium Collected on Behalf of Farmers Mutual:

It is recommended that the Company record the deposit of these premiums in the Company's bank account as an asset and income on future statutory filings. Future statutory filings should also reflect these premiums held for Farmers Mutual as an offsetting liability. Also, the Company should show any commissions received from Farmers Mutual on the Income Section of its Annual Statement as compensation for producing these liability policies for Farmers Mutual.

3. Calculation of Premium Taxes:

It is recommended that the Company properly disclose the gross premiums subject to taxation on their calendar year-end Statement of Premiums and Fees for Taxation as reflected on their Annual Statements pursuant to Tenn. Code Ann. § 56-22-114 and according to the tax return's instructions. It is further recommended that the Company correctly calculate the amount of premium tax subject to reduction on Schedule C based upon the amount of Tennessee investments held by the Company as defined by Tenn. Code Ann. §56-4-210 and the annual premium tax form's instructions.

4. Outstanding Check Reconciliations:

It is recommended that the Company maintain more descriptive records of unclaimed funds in order to be compliant with the unclaimed property laws found in Title 66, Chapter 29 of Tennessee Code Annotated.

Subsequent Events:

5. Agent's License:

It is recommended that the Company take the necessary steps to have all new or renewal policies written through properly licensed agents pursuant to Tenn. Code Ann. § 56-22-113..

6. Revision of By-Laws:

It is recommended that the Company update its By-Laws to include the non-renewal provisions contained in Tenn. Code Ann. § 56-7-1902 in accordance with Tenn. Code Ann. § 56-22-109(b)(2) (effective January 1, 2007).

7. Revision of Policy Forms:

It is recommended that the Company update its policy forms to reflect the cancellation and non-renewal provisions of Tenn. Code Ann. § 56-7-1902 in accordance with Tenn. Code Ann. § 56-22-109(b)(2) (effective January 1, 2007)

There were no other apparent exceptions of the Company's By-Laws, Tennessee Insurance Code or NAIC Accounting Practices and Procedures during the period under examination.

The complete and courteous cooperation of Mr. Willie Good, Secretary and Treasurer, Mrs. Jean Drain, Bookkeeper, Mrs. Patty Good and Mrs. Brenda Sexton extended during the course of the examination is hereby acknowledged.

Respectfully submitted,

James T. Pearce

James T. Pearce
Insurance Examiner III, EIC
State of Tennesseee

Examination Affidavit:

The undersigned deposes and says that he has duly executed the attached examination report of The Greene County Farmers' Mutual Fire Insurance Company of Greeneville, Tennessee dated June 2, 2008 and made as of December 31, 2006, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

James T. Pearce

James T. Pearce
Insurance Examiner III
State of Tennessee

County Davidson
State Tennessee
Subscribed and sworn to before me
this 2nd day of
June, 2008.

Helen W. Dorsey
(Notary)

HELEN W. DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

My Commission Expires MAY 22, 2010

Jun 23 2008 1:30 Greene County Farmers Mut

FAX COVER SHEET

GREENE COUNTY FARMERS MUTUAL
110 SOUTH MAIN STREET
P.O. BOX 156
GREENEVILLE, TN 37743

1-423-638-3652
1-423-638-2066

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Company Examinations

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Fax number:	Phone number:

☐ Urgent ☐ Reply ASAP ☐ Please comment ☐ Please review ☐ For your information

Total pages, including cover: 3

COMMENTS

Not sure if you have received this response from our CPA. Just in Know if this is the one you are looking for Please. Also here is a copy of the Certified Receipt when the report was mailed

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DIRECTORS
Everette Burchette
David B. Myers
Johnny Ottinger
David Susong
James V. Carter
Mark Deaton
Buddy Swecker
Alford Taylor

The Greene County Farmers' Mutual Fire Insurance Company

Since 1896

OFFICERS
James V. Carter
President

Johnny C. Ottinger
Vice-President

Willie Good
Secretary-Treasurer

State of Tennessee
Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

RE: Report of Examination of Greene County Farmers Mutual Fire Insurance Company of Greeneville, TN

We offer the following comments regarding your recommendations in the Report of Examination.

Page 17 - Recommendations:

1. Investment in Home Office Land and Building
   Response: The above was recorded on the 2007 annual report.

2. Liability Premium collected on Behalf of Farmers Mutual
   Response: The Company will strive to follow the recommendations set forth.

3. Calculation of Premium Taxes
   Response: During 2007 Premium Taxes were calculated using the reduction on Schedule C.

4. Outstanding Check Reconciliations
   Response: The Company is in the process of implementing new accounting software and procedures which should allow the Company to be compliant with the unclaimed property laws.

Page 18 - Subsequent Events:

5. Agent's License
   Response: The Company will strive to follow the recommendations set forth.

6. Revision of By-Laws
   Response: The Company will strive to follow the recommendations set forth.

7. Revision of Policy Forms
   Response: The Company will strive to follow the recommendations set forth.

Sincerely,

Willie Good

Willie Good, Secretary

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JUN 23 2008
Dept. Of Commerce & Insurance
Company Examinations

P.O. Box 156 • 110 S. Main Street • Greeneville, TN 37744-0156 • Phone 638-3652 • Fax 638-2066