



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

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**REPORT ON EXAMINATION  
OF THE  
HAMBLEN MUTUAL INSURANCE COMPANY  
(NAIC # 15982)  
MORRISTOWN, TENNESSEE**

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**AS OF  
DECEMBER 31, 2019**

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Morristown, Tennessee  
March 24, 2021

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

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-22-115, a full-scope financial examination and market conduct review, as of December 31, 2019, has been made of the condition and affairs of:

**HAMBLÉN MUTUAL INSURANCE COMPANY**

NAIC # 15982

110 N. Cumberland Street,  
Morristown, Tennessee 37814

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, 2014. This examination covers the period from January 1, 2015, through December 31, 2019, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

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

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

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

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

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

## **COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS**

There were no recommendations noted in the prior examination report as of December 31, 2014. One comment, regarding the Company's custodial agreement, was addressed during the last examination.

## **COMPANY HISTORY**

The Company was incorporated on April 12, 1909, under the Tennessee Business Corporation Act as a non-profit mutual benefit corporation, and organized as a county mutual fire insurance company, pursuant to Title § 56, Chapter 22, of the Tennessee Law. The current Certificate of Authority was issued to the Company on July 2, 2008, and authorizes the Company to transact the business of liability, fire, lightning, hail, extended coverage, and tornado insurance in all counties contiguous to Hamblen County to the second degree in the State of Tennessee, pursuant to Tenn. Code Ann. § 56-22-106(f)(1). The Certificate of Authority is valid until suspended or revoked.

## **MANAGEMENT AND CONTROL**

### **MANAGEMENT**

#### **Directors**

Management of the Company is vested in a Board of Directors ("Board"). Directors are elected for a term of three (3) years. In accordance with the Bylaws, the Board shall consist of six (6) members. One third (1/3) of the directors are elected at each annual members' meeting, and each serves a term of three (3) years. A majority of the Board constitutes a quorum, as defined by the Bylaws. Board meetings are held on the same day and directly after the members' meetings.

The following individuals were duly elected and serving as directors on the Company's Board, as of December 31, 2019:

<b><u>Director</u></b>	<b><u>Address</u></b>
Larry D. Baker	Russellville, Tennessee
Stancil Ford	Talbott, Tennessee
Sue Green	Russellville, Tennessee
Derrick G. Raines	Morristown, Tennessee
Brent Walker	Whitesburg, Tennessee
Jerry Self	Morristown, Tennessee

During the examination period the Board held five (5) meetings.

#### **Officers**

Immediately after the annual meeting of the members, the Board shall elect a President, a Vice-President, a Secretary and Treasurer. Each officer shall serve a term of one (1) year.

The following individuals were duly elected by the Board and were serving as officers of the Company as of December 31, 2019:

<b><u>Name</u></b>	<b><u>Title</u></b>
Larry D. Baker	President
Stancil Ford	Vice-President
Jerry Self	Secretary/Treasurer

**Audit Committee**

The following individuals were serving on the Audit Committee as of December 31, 2019:

<b><u>Name</u></b>	<b><u>Title</u></b>
Larry D. Baker	President
Jerry Self	Secretary/Treasurer
Derrick Raines	Director

**Executive Committee**

The Board appointed an Executive Committee consisting of the President, Vice-President, and Secretary/Treasurer. This Committee has and may exercise all the power of the Board which may be lawfully delegated when the Board is not in session.

The following individuals were serving on the Executive Committee as of December 31, 2019:

<b><u>Name</u></b>	<b><u>Title</u></b>
Larry D. Baker	President
Stancil Ford	Vice-President
Jerry Self	Secretary/Treasurer

**CONTROL**

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

The Annual meeting of the members of the Company for the purpose of electing directors and transacting such other business as may come before the meeting shall be held on the third (3<sup>rd</sup>) Saturday of March each year. The date and time of the annual meeting shall be stated in each policy of insurance and no further notice shall be necessary.

Special meetings of the members may be called at any time by a majority of the Board acting with or without a meeting, or on the petition of one-fourth (1/4) of the members. Notice of a special meeting stating the day, hour, place and purpose or purposes thereof shall be published once a week for two weeks in a newspaper of general circulation in Hamblen County, Tennessee, the last notice to be published at least ten (10) days prior to the date of said meeting.

At all meetings of the members, members may vote in person or by mail if deemed necessary by a majority of the Executive Committee. Every policyholder with a policy in force is a member of the Company. Each member is entitled to one vote at annual or

special meetings of members, regardless of the number of separate policies in force in an individual's name. No policy shall be entitled to more than one vote whether such policy is held individually, jointly, or otherwise.

All meetings of the members shall be held at the home office of the Company unless the Board shall otherwise elect. A quorum for any membership meeting shall consist of ten (10) members.

During the examination period, five (5) annual meetings of the members were held. No special meetings were held.

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

The Company has a written conflict of interest policy in place; however, the Company does not have a conflict of interest disclosure form. A review of the Company's compliance with Tenn. Code Ann. § 56-3-103 found no director or officer of the Company had a pecuniary interest in the investment or disposition of Company funds. For additional details, see the "Comments and Recommendations" section later in this report.

### **CORPORATE RECORDS**

The minutes of the meetings were reviewed and appear to properly reflect the acts of the respective bodies.

#### **Charter**

The Charter recites the general and specific powers of the Company in detail. The Charter, as currently stated, was inspected and found to have been duly issued and properly recorded. There were no amendments to the Charter during the period of examination.

#### **Bylaws**

The Bylaws were reviewed and found to contain key provisions noted within insurance companies. The Bylaws may be amended or repealed, or new Bylaws may be drafted and adopted, by the majority vote of the members present at any regular or special meeting of the members. There were no amendments to the Bylaws during the period of examination.

## **SERVICE AGREEMENTS**

The Company had several agreements in place for services during the period under examination.

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

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

### **Claims Adjustment Services**

TW Claims, Inc. provides claims adjustment services for the Company.

### **Insurance Management Systems**

The Company uses AIMS (Automated Insurance Management Systems) to process policies, customer billings, endorsements, send out late notices, cancellations, mortgage clauses, and track new and renewal policies.

### **Investment Advisory Agreement**

The Company uses Martin & Company, Inc. for investment advisory services.

## **TERRITORY AND PLAN OF OPERATION**

### **Territory**

The Company's current Certificate of Authority was issued by the TDCI on July 2, 2008, and authorized the transaction of the business of liability, fire, lightning, hail, extended coverage, and tornado. The Certificate of Authority is valid until suspended or revoked and allows the Company to transact business operations in all counties contiguous to Hamblen County to the second degree in the State of Tennessee, pursuant to Tenn. Code Ann. § 56-22-106(f)(1). The Company currently writes policies in Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, and Knox counties in Tennessee.

### **Plan of Operation**

The Company provides its members coverage on dwelling homes (single & multi-family), rental homes (single & multi-family), modular homes, mobile homes, farm buildings, livestock, farm personal property, farm machinery, and churches in case of loss due to liability, fire, lightning, hail, extended coverage, and tornado. The Company also writes three (3) different types of liability policies as follows: 1) Owner, Landlord & Tenant, 2) Fire Comprehensive Personal Liability, and 3) Comprehensive Personal Liability.



The Company's policies are typically written for eighty percent (80%) of the fair value of the property insured, subject to policy limits of \$100,000 per specific loss. Each policy is issued for one (1) year, and policyholders' premiums are due annually on the policy anniversary date. The standard deductible is \$500 and is applied separately to each specific item listed on the policy. The aggregate amount deducted from loss for any one (1) occurrence shall not exceed \$500. The policyholder has the option of (1) paying premium rates that are ten percent (10%) higher in exchange for a \$250 deductible, (2) paying premium rates that are fifteen percent (15%) lower in exchange for a \$1,000 deductible, or (3) paying premium rates that are twenty-five percent (25%) lower in exchange for a \$1,500 deductible.

### **GROWTH OF COMPANY**

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

<u>Year</u>	<u>Gross Premiums Written</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholders' Surplus</u>	<u>Net Income</u>
2019	\$545,661	\$7,869,131	\$450,018	\$7,419,113	(\$28,814)
2018	\$587,280	\$7,517,038	\$503,859	\$7,013,179	\$331,793
2017	\$613,941	\$7,550,574	\$546,439	\$7,004,135	\$204,779
2016	\$594,036	\$7,274,130	\$592,967	\$6,681,163	\$176,638
2015	\$618,386	\$6,970,515	\$520,093	\$6,450,422	\$199,884

### **LOSS EXPERIENCE**

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

<u>Year</u>	<u>Net Premiums Earned</u>	<u>Net Incurred Losses &amp; LAE</u>	<u>Loss Ratio</u>	<u>Other Expenses</u>	<u>Expense Ratio</u>	<u>Combined Ratio</u>
2019	\$492,736	\$406,587	82.52%	\$295,722	60.02%	142.54%
2018	\$518,717	\$76,038	14.66%	\$287,946	55.51%	70.17%
2017	\$513,130	\$192,873	37.59%	\$276,352	53.86%	91.45%
2016	\$492,922	\$244,362	49.57%	\$284,569	57.73%	107.30%
2015	\$562,626	\$228,996	40.70%	\$250,712	44.56%	85.26%

## **REINSURANCE**

### **Specific and Aggregate Excess of Loss Reinsurance**

In accordance with Tenn. Code Ann. §§ 56-22-110 and 56-22-106(d), the Company has Specific and Aggregate Excess of Loss coverage through Farmers Mutual of Tennessee ("Farmers") for the purpose of limiting their exposure on larger risks. Under the terms of this agreement, the Company retains the first \$50,000 of each risk, per occurrence, and reinsures up to \$1,750,000 through a series of three (3) layers of coverage.

This agreement was found to contain such language as recommended by the NAIC and as required for reinsurance credit pursuant to Tenn. Code Ann. § 56-2-207(a)(2). The agreement was found to meet the requirements set forth in Tenn. Code Ann. § 56-22-110.

### **Quota Share Reinsurance**

Effective January 1, 2019, the Company ceded risk through a Quota Share Reinsurance Agreement with Farmers. This reinsurance agreement allows for the Company to cede fifty percent (50%) of its liability coverage classified by the Company as Comprehensive Personal Liability; Farmers Comprehensive Personal Liability; Section II of Homeowners; Farm-owners and/or Mobile-Homeowners; and Owners, Landlords and Tenants Liability on Dwellings, Churches, and Farm Premises only to Farmers, less a fifteen percent (15%) ceding commission.

These agreements transferred risk in accordance with Statement of Statutory Accounting Principles (SSAP) No. 62 and other NAIC guidelines.

## **ACCOUNTS AND RECORDS**

The Company's general accounting records consisted of an automated general ledger and various subsidiary ledgers (e.g., cash receipts, cash disbursements). During the review of the Company's accounts and records, a number of discrepancies were noted as detailed below.

During the review of the Company's premiums aging detail, it was noted that the Company was not correctly non-admitting premiums that are ninety (90) days past due in accordance with SSAP No. 6, paragraph 9. For additional details, see the "Comments and Recommendations" section later in this report.

During the review of the Company's investments, it was noted that the Company had incorrectly reported the details (par values, interest rates, descriptions, CUSIPs, and

purchase price) of some of its investments on the 2019 Schedule D - Part 1 and 2 and Schedule DA – Part 1. For additional details, see the “Comments and Recommendations” section later in this report.

During the review of the Company’s 2019 Schedule F – Part 3, it was noted that the Company did not correctly complete the schedule in accordance with the Instructions and Tenn. Code Ann. § 56-22-109. For additional details, see the “Comments and Recommendations” section later in this report.

The Company was exempt from Tenn. Comp. R. & Regs. 0780-1-78.04(4), which requires the filing of an actuarial opinion by a qualified actuary with the Commissioner on or before March 1.

The Company’s books and records are located in Morristown, Tennessee.

## **MARKET CONDUCT ACTIVITIES**

In conjunction with this examination, a market conduct review was made of the Company, as of December 31, 2019. The following items were addressed:

### **Policy Forms and Underwriting Practices**

Pursuant to Tenn. Code Ann. §§ 56-5-103, 56-5-104, 56-5-105, and 56-22-109(b)(1), the Company’s policy forms in effect from January 1, 2015, through December 31, 2019, were approved by the TDCI on December 6, 2011.

The Company’s premium rates in effect from January 1, 2015, through April 31, 2017, were approved by the TDCI in 2011. The Company’s premium rates in effect from May 1, 2017 through December 31, 2019, were approved on April 3, 2017.

### **Applications**

During a review of the Company’s applications, it was noted that not all of the Company’s applications contained the fraud statement required by Tenn. Code Ann. § 56-53-111. In addition, during this review, it was noted that several of the applications reviewed were not completed in compliance with the NAIC Market Regulation Handbook (“Market Handbook”) and Tenn. Code Ann. § 56-53-111. For additional details on these issues, see the “Comments and Recommendations” section later in this report.

### **Producer Licensing**

During a review of producer licensing and appointments, it was noted that some of the Company’s producers were not appointed by the Company as required by Tenn. Code

Ann. § 56-6-115. This issue was addressed and corrected during the examination. For additional details, see the “Comments and Recommendations” section later in this report.

### **Advertising**

The Company’s advertising during the period of examination consisted of general local advertising and radio ads. The Company’s reputation and products are also communicated to potential members by the Board and the Company’s agents via word of mouth.

### **Policy Cancellation**

The Company mails a notice to its members at least thirty (30) days before cancellation. All cancellations reviewed included proper notice of cancellation as required by Tenn. Code Ann. § 56-22-109(b)(2).

The Company adheres to the non-renewal provisions contained in Tenn. Code Ann. §§ 56-7-1901 and 56-7-1902, in accordance with Tenn. Code Ann. § 56-22-109(b)(2), which relate to the notice of intention to non-renew and the reason(s) for non-renewal.

### **Privacy of Non-Public Personal Information**

The Company’s policy for the disclosure of non-public personal information was reviewed. There were no instances noted of non-compliance with Tenn. Comp. R. & Regs. 0780-01-72.

### **Claims Review**

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

### **In-Force Policy Review**

During the review of the Company’s in-force policy data, it was noted that several canceled policies were included in the Company’s in-force data. For additional details, see the “Comments and Recommendations” section later in this report.

### **Complaint Handling**

The Company’s complaint handling practices were reviewed for compliance with Tenn. Code Ann. § 56-8-104(11). It was noted that during the examination period, the Company did not maintain a complaint log as required by the statute. For additional details, see the “Comments and Recommendations” section later in the report.

## **SUBSEQUENT EVENTS**

During the examination, a review of subsequent events was performed. No events were noted that required additional disclosure in this examination report. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2019, that could have a material effect on the Company's financial condition. Our review confirmed the Company's disclosures in its 2019 Annual Statement and in its Letter of Representation.

## FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of income, as of December 31, 2019, together with a reconciliation of policyholders' surplus for the period under review, as reported by the Company in its 2019 annual statement:

	<b><u>ASSETS</u></b>		
	<b><u>Assets</u></b>	<b><u>Non-Admitted Assets</u></b>	<b><u>Net Admitted Assets</u></b>
Bonds	\$5,005,201		\$5,005,201
Common stocks	2,258,548		2,258,548
Properties occupied by the company	60,001		60,001
Cash and cash equivalents	266,698		266,698
Investment income due and accrued	43,546		43,546
Uncollected premiums and agents' balances in the course of collection	12,576		12,576
Deferred premiums, agents' balances and installments booked but deferred and not yet due	75,866		75,866
Other amounts receivable under reinsurance contracts	21,356		21,356
Current federal and foreign income tax recoverable and interest thereon	76,800		76,800
Net deferred tax asset	26,025		26,025
Electronic data processing equipment and software	17,676		17,676
Aggregate write-ins for other- than-invested assets	<u>4,838</u>	<u>\$0</u>	<u>4,838</u>
<b>Total</b>	<b><u>\$7,869,131</u></b>	<b><u>\$0</u></b>	<b><u>\$7,869,131</u></b>

**LIABILITIES, SURPLUS, AND OTHER FUNDS**

Losses	\$15,000
Other expenses (excluding taxes, licenses and fees)	15,896
Unearned premiums	295,955
Advance premiums	94,942
Ceded reinsurance premiums payable (net of ceding commissions)	<u>28,225</u>
Total liabilities	450,018
Unassigned funds (surplus)	<u>7,419,113</u>
Surplus as regards policyholders	<u>7,419,113</u>
<b>Totals</b>	<b><u>\$7,869,131</u></b>

## STATEMENT OF INCOME

### UNDERWRITING INCOME

Net premiums and assessments earned	<u>\$492,736</u>
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### DEDUCTIONS

Net losses incurred	397,393
Loss adjustment expenses incurred	9,194
Other underwriting expenses incurred	<u>295,722</u>
Total underwriting deductions	<u>702,309</u>
Net underwriting gain (loss)	(209,573)

### INVESTMENT INCOME

Net investment income earned	119,045
Net realized capital gains (losses) less capital gains tax	<u>43,806</u>
Net investment gain (loss)	162,851

### OTHER INCOME

Aggregate write-ins for miscellaneous income	<u>3,898</u>
Total other income	<u>3,898</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>(42,824)</u>
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(42,824)
Federal and foreign income taxes incurred	<u>(14,010)</u>
<b>Net income</b>	<b><u>(\$28,814)</u></b>



**POLICYHOLDERS' SURPLUS ACCOUNT**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Policyholders' Surplus					
December 31, previous year	<u>\$7,013,179</u>	<u>\$7,004,135</u>	<u>\$6,681,163</u>	<u>\$6,450,422</u>	<u>\$6,361,065</u>
Net income or (loss)	(28,814)	331,793	204,779	176,638	199,884
Change in net unrealized capital gains or (losses) les capital gains tax	434,748	(322,753)	118,111	53,422	(111,954)
Change in non-admitted assets	<u>0</u>	<u>4</u>	<u>82</u>	<u>681</u>	<u>1,427</u>
Net change in capital and surplus for the year	<u>405,924</u>	<u>9,044</u>	<u>322,972</u>	<u>230,741</u>	<u>89,357</u>
Policyholders' Surplus					
December 31, current year	<u>\$7,419,113</u>	<u>\$7,013,179</u>	<u>\$7,004,135</u>	<u>\$6,681,163</u>	<u>\$6,450,422</u>

## ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Policyholders' Surplus

\$7,419,113

Total policyholders' surplus, as established by this examination, is the same as what was reported by the Company in its 2019 annual statement. There were no changes made to any asset or liability item as a result of the examination performed, as of December 31, 2019.

## COMMENTS AND RECOMMENDATIONS

### Comments

1. As noted in the "Management and Control" section of this report, the Company does not require conflict of interest disclosure forms to be completed by directors or officers. Maintaining a conflict of interest disclosure form and requiring annual disclosures of officers and directors is considered a best practice by documenting the Company's compliance with Tenn. Code Ann. § 56-3-103, which prohibits Company officers from having a pecuniary interest in any funds of the Company.

It is noted that the Company created a conflict of interest disclosure form during the examination. At the next Board meeting, Directors will sign the disclosures.

2. As noted in the "Market Conduct Activities" section of the report, during the period under examination, the Company did not have any formal complaint procedures, or a complaint log as required in Tenn. Code Ann. § 56-8-104(11).

It is noted that the Company created a formal complaint procedure and a complaint log during the examination.

### Recommendations

1. As noted in the "Accounts and Records" section of this report, during the examination period, the Company did not correctly non-admit premiums that were ninety (90) days past due in accordance with SSAP No. 6, paragraph 9.

It is recommended that the Company correctly non-admit premiums that are ninety (90) days past due in accordance with SSAP No. 6, paragraph 9 and Tenn. Code Ann. § 56-22-109.

2. As noted in the "Accounts and Records" section of the report, the Company had incorrectly reported the details (par values, interest rates, descriptions, CUSIPs, and

purchase price) of some of its investments on the 2019 Schedule D - Part 1 and 2 and Schedule DA – Part 1.

It is recommended that the Company correctly complete Schedule D in accordance with the Instructions and Tenn. Code Ann. § 56-22-109.

3. As noted in the “Accounts and Records” section of this report, the Company had not completed Schedule F – Part 3 in the 2019 annual statement, in accordance with the Instructions and Tenn. Code Ann. § 56-22-109.

It is recommended that the Company correctly complete Schedule F in accordance with the Instructions and Tenn. Code Ann. § 56-22-109.

4. As noted in the “Market Conduct Activities” section of the report, during a review of the Company’s applications, it was noted that not all of the Company’s applications contained the fraud statement required by Tenn. Code Ann. § 56-53-111. Additionally, during the review, it was noted that several of the applications reviewed were not completed in compliance with Standard 18 of the Market Handbook and Tenn. Code Ann. § 56-53-111.

It is recommended that the Company comply with Tenn. Code Ann. § 56-53-111 and Standard 18 of the Market Handbook.

5. As noted in the “Market Conduct Activities” section of the report, the Company did not properly appoint its agents, as required by Tenn. Code Ann. § 56-6-115.

It is recommended that the Company appoint all its agents within the fifteen (15) day timeframe as outlined in Tenn. Code Ann. § 56-6-115. It is noted that the Company is taking action to correct this issue.

6. As noted in the “Market Conduct Activities” section of the report, during a review of the Company’s in-force policy data, it was noted that several canceled policies were included in the Company’s in-force data.

It is recommended that the Company ensure that in-force data is complete and accurate.

## CONCLUSION

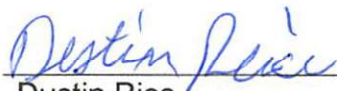
Rules and procedures as prescribed by the statutes of the State of Tennessee and guidance from the NAIC Handbook, as deemed appropriate, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Hamblen Mutual Insurance Company.

In such manner, it was found that as of December 31, 2019, the Company had admitted assets of \$7,869,131 and liabilities, exclusive of policyholders' surplus, of \$450,018. Thus, there existed for the additional protection of the policyholders, the amount of \$7,419,113 in the form of policyholders' surplus. Tenn. Code Ann. §§ 56-2-114 and 115 requires an insurer of this Company's type to maintain a minimum surplus of \$2,000,000. For this examination, as of December 31, 2019, the Company maintains surplus sufficient to satisfy this requirement.

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, James Pearce, Insurance Examiner, and Jay Uselton, Supervising Examiner, from the State of Tennessee, participated in the work of this examination.

Respectfully submitted,



\_\_\_\_\_  
Dustin Rice  
Examiner-in-Charge  
State of Tennessee

**AFFIDAVIT**

The undersigned deposes and says that he has duly executed the attached examination report of Hamblen Mutual Insurance Company located in Morristown, Tennessee, dated March 24, 2021, and made as of December 31, 2019, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.

*Dustin Rice*

\_\_\_\_\_  
Dustin Rice  
Examiner-in-Charge  
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 16 day of June, 2021

*Jessica Tagert*  
\_\_\_\_\_  
(NOTARY)



My Commission Expires: 09/02/2021

# **EXHIBIT B**



A County Mutual Insurance Company

**HAMBLEN MUTUAL**  
**A County Mutual Insurance Company**

110 N. Cumberland Street • Morristown, TN 37814-4602  
(423) 586-6041 • Fax (423) 586-3597

June 18, 2021

E. Joy Little  
Director of Financial Examinations/Chief Examiner  
Tennessee Department of Commerce and Insurance  
500 James Robertson Parkway  
Nashville, TN 37243-1135

**RE: Report of Examination – Hamblen Mutual Insurance Company**

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Hamblen Mutual Insurance Company, made as of December 31, 2019.

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

Sincerely,

A handwritten signature in blue ink that reads "Larry D. Baker".

**Larry D. Baker**  
**President**