EXHIBIT A

STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

FARMERS AID ASSOCIATION – A COUNTY MUTUAL INSURANCE COMPANY

(NAIC # 15968)

LOUDON, TENNESSEE

AS OF
DECEMBER 31, 2016

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Loudon, Tennessee
April 2, 2018

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

Dear Commissioner:

Pursuant to your instructions and in accordance with Tennessee Code Annotated ("Tenn. Code Ann.") § 56-22-115, a full-scope financial examination and market conduct review, as of December 31, 2016, has been made of the condition and affairs of:

FARMERS AID ASSOCIATION – A COUNTY MUTUAL INSURANCE COMPANY
NAIC # 15968
804 Mulberry Street
Loudon, TN 37774

hereinafter and generally 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") under the rules and regulations established by the State of Tennessee. The examination commenced on October 16, 2017, and was conducted by duly authorized representatives of the TDCI.

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2011. This examination report covers the period from January 1, 2012, through December 31, 2016, 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 the regulations and resolutions adopted by the National Association of Insurance Commissioners (NAIC) and the NAIC *Financial Condition Examiners Handbook* ("Handbook"), as deemed appropriate. The examination sought to evaluate the overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions. The examination also included an assessment of prospective risks faced by the Company based on information obtained during the course of the examination.

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

The Company was not required to file with the TDCI financial reports audited by a certified public accountant (CPA) during the period under examination. Therefore, the examination did not include a review of audit workpapers.

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

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

Our examination included a review to determine the current status of the Comments and Recommendations in the previous Report on Examination, as of December 31, 2011, which covered the period from January 1, 2007, through December 31, 2011. A summary of the prior examination report's comment and the corrective action taken by the Company is discussed below:

Comment

As a "best practice", the Company is encouraged to develop and implement a business continuity plan.

Corrective Action

The Company developed and implemented a business continuity plan which includes local and offsite backups of Company data in order to facilitate the continuation of operations in the event of a disaster.

COMPANY HISTORY

The Company was incorporated on January 2, 1901, under the provisions of the Tennessee Business Corporation Act. The Company is a non-profit mutual benefit corporation organized as a county mutual fire insurance company ("county mutual"), pursuant to Tenn. Code Ann. Title 56, Chapter 22. The Company's Bylaws state, "The objects of the Association shall be to protect each member for loss or damage by fire and lightning and extended coverage (Wind, Hail, etc.)." The Company is limited to providing coverage to residents of Loudon County and contiguous counties in the State of Tennessee. The Company commenced business in 1902.

As of December 31, 2016, the Company was licensed to transact business in the State of Tennessee, pursuant to Tenn. Code Ann. § 56-22-106(a).

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

Management of the Company is vested in a Board of Directors ("Board"), elected annually by its policyholders ("members") at the annual members' meeting. In accordance with the Company's Bylaws, the Board shall consist of six (6) directors. Since July 1, 2016, the Company has only had five (5) directors on the Board. See the "Comments and Recommendations" section of this report.

The following persons were duly elected by the members to serve on the Board, as of December 31, 2016:

Name	Address
Joe Alexander	Lenoir City, Tennessee
Burton Bilderback	Sweetwater, Tennessee
Kelly Bilderback	Sweetwater, Tennessee
Deborah Handy	Knoxville, Tennessee
Charles Viars	Loudon, Tennessee
Vacant	

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.

Officers

The Bylaws provide that the officers of the Company shall be a President, Vice President, and a Secretary and Treasurer. The following officers were duly elected by the Board and were serving as officers of the Company as of December 31, 2016:

Name	Title
Joe Alexander	President, Director
Charles Viars	Vice President, Director
Kelly Bilderback	Secretary, Treasurer, Director

Committees

The Bylaws of the Company specify that there shall be an Executive Committee consisting of the Company's officers. The following individuals were serving on the Executive Committee as of December 31, 2016:

Name	Title
Joe Alexander	President, Director
Charles Viars	Vice President, Director
Kelly Bilderback	Secretary, Treasurer, Director

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.

Annual and special meetings of the members shall be held at the call of the President or at the written request of five (5) members. The Company's members held five (5) annual meetings and no special meetings during the examination period.

CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

The Company is required to comply with Tenn. Code Ann. § 56-3-103 prohibiting officers and directors of insurance companies from having a pecuniary interest in the investment or disposition of funds of a domestic insurance company. 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. However, the Company does not have a formal policy in place requiring conflict of interest disclosures. See the "Comments and Recommendations" section of this report.

CORPORATE RECORDS

Charter

The Charter recites the general and specific powers of the Company in detail. The Charter was amended, effective October 16, 2012, in order to effect a name change from "Farmers' Aid Association" to "Farmers Aid Association – A County Mutual Insurance Company", in order to comply with Tenn. Code Ann. § 56-22-106(g). The Charter, as currently stated, was inspected and found to have been duly issued and properly recorded.

Bylaws

The Bylaws were reviewed and are such as are generally found in companies of this type and contain no unusual provisions. The Bylaws may be amended or repealed, or new Bylaws may be drafted and adopted, by the affirmative vote of a majority of the members present at any regular meeting of the members. There were no amendments to the Bylaws during the period of examination.

Meeting Minutes

Minutes of the Board and member meetings were reviewed. The minutes provided a brief summary of the actions of the Company's Board and membership. Attachments and exhibits provided to the Board and membership were maintained with the minutes. During the period of examination, there were twenty-six (26) Board meetings and five (5) annual meetings of members. Investment transactions were approved by the Executive Committee, pursuant to Tenn. Code Ann. § 56-3-408(b)(1).

SERVICE AGREEMENTS

The Company had several agreements in place for services during the period under examination. These agreements do not have set durations. The prices and terms associated with these agreements appear to be fair based on the services provided.

Financial and Tax Preparation Services

Warren & Tallent CPAs, PLLC provides limited accounting services related to regulatory filings, including preparation of statutory annual statements, quarterly statements, and federal income tax filings.

Policy Management Services

Automated Insurance Management Systems (AIMS) provides policy management and premium accounting software and support services.

Claims Adjustment Services

Bob Shook and N&C Claims provide claims adjustment and underwriting inspection services on an as-needed basis.

FIDELITY BOND AND OTHER INSURANCE

The Company is listed as a named insured on a commercial crime policy which provides coverage materially similar to that of a fidelity bond. The Company's coverage meets the minimum amount suggested in the NAIC Handbook. The policy coverages were inspected and appear to be in-force as of the date of this examination.

Other insurance policies were reviewed and the Company is listed as a named insured on the following insurance coverages maintained by the Company as of December 31, 2016:

Insurance Company Professional Liability
Agents and Brokers Professional Liability
Directors and Officers Liability

All of the above policies were issued by companies licensed to transact business in the State of Tennessee or by authorized surplus lines insurers.

TERRITORY AND PLAN OF OPERATION

Territory

The Company's current Certificate of Authority was issued by the TDCI on February 15, 2013, and authorized the transaction of the business of fire, lightning, hail, extended coverage, and tornado in the State of Tennessee. The Certificate of Authority is valid until suspended or revoked and allows the Company to transact business operations in Loudon County and all counties contiguous thereto in the State of Tennessee, pursuant to Tenn. Code Ann. § 56-22-106(f)(1). The Company writes policies in Loudon, Blount, Knox, McMinn, Meigs, Monroe, and Roane counties in Tennessee.

Plan of Operations

The Company provides its members with coverage on dwellings, mobile homes, farm buildings, livestock, personal property, farm machinery, and churches in case of loss due to fire, lightning, hail, extended coverage, and tornado. The Company may insure eighty percent (80%) of the actual cash value of covered properties.

The Company's agent performs a visual inspection and determines a property's value prior to the issuance of a policy. The Company's directors approve or reject all policy applications prepared by the agent. Upon the signing of the completed application by the Company's agent and directors, and collection of the initial billed premium, the policy is bound. The policy is issued upon the signatures of the President, Secretary and Treasurer.

GROWTH OF COMPANY

The following comparative data reflects the growth of the Company for the period under review, as reported by the Company in its respective annual statements:

Year	Net Premiums Earned	Net Incurred Losses	Admitted Assets	Liabilities	Policyholders' Surplus	Net Income (Loss)
2016	$303,775	$102,388	$596,242	$170,287	$425,955	($83,804)
2015	$316,143	$100,008	$693,855	$184,816	$509,039	($59)
2014	$331,828	$107,357	$689,705	$180,607	$509,098	($13,565)
2013	$312,838	$184,551	$695,275	$172,612	$522,633	($96,082)
2012	$320,942	-$252,977	$791,605	$172,860	$618,745	($120,378)

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 respective annual statements:

Year	Net Premiums Earned	Net Losses + LAE	Loss Ratio	Premiums Written	Other Expenses	Expense Ratio	Combined Ratio
2016	$303,775	$118,618	39.0%	$297,388	$288,507	97.0%	136.1%
2015	$316,143	$113,598	35.9%	$306,801	$209,391	68.2%	104.2%
2014	$331,828	$117,607	35.4%	$324,313	$219,437	67.7%	103.1%
2013	$312,838	$199,551	63.8%	$325,214	$218,907	67.3%	131.1%
2012	$320,942	$274,727	85.6%	$305,584	$177,959	58.2%	143.8%

The Company's surplus has continued to decline, due to losses subsequent to the period under examination. See the "Subsequent Events" section later in the report.

ACCOUNTS AND RECORDS

The Company engaged Warren & Tallent, CPAs, PLLC, assisted by the Company's Secretary and Treasurer, to provide certain accounting services, preparation of income tax returns, and compilation of certain regulatory filings, including all required financial statements.

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 2016 annual statement was reconciled to the corresponding supporting documentation.

All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination.

Pursuant to Tenn. Comp. R. & Regs. 0780-1-78-.04(3), the Company was not required to file audited financial statements during the period under examination.

The Company was not required to file the Management's Discussion and Analysis Report (MD&A) section of the NAIC *Annual Statement Instructions for Property and Casualty Companies,* pursuant to Tenn. Comp. R. & Regs. 0780-01-37.

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

The Company was exempt from filing with the Commissioner an actuarial opinion prepared by a qualified actuary, on or before March 1, pursuant to Tenn. Comp. R. & Regs. 0780-1-78-.04(4).

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

Custodial Agreement and Investments

During the period under examination, the Company purchased investments through LPL Financial, a broker-dealer acting as a custodian. These investments have been non-admitted in prior years because the custodial agreement between the Company and LPL Financial does not meet the requirements set forth in Tenn. Comp. R. & Regs. 0780-01-46-.02. The Company mistakenly included the value of these investments in admitted assets in its 2016 financial statements. See the "Comments and Recommendations" section of this report.

While reviewing these investments, it was determined that LPL Financial does not meet the tangible net worth requirement to act as a custodian as set forth in Tenn. Comp. R. & Regs. 0780-01-46-.01(3)(b). This regulation requires that a broker-dealer acting as a custodian must be registered with the Securities Exchange Commission, maintain membership in the Securities Investor Protection Corporation, and maintain a tangible net worth equal to or greater than $250,000,000. See the "Comments and Recommendations" section of this report.

Real Estate

During all years of the period under examination, except 2016, the Company complied with the requirements set forth in NAIC Statements of Statutory Accounting Principles (SSAP) No. 40, which specifies that real estate should be reported at cost, less depreciation. However, in 2016, the Company reported $2,198 of office equipment purchased during the year in its reported real estate value. See the "Comments and Recommendations" section of this report.

Loss Adjustment Expense (LAE)

During the period under examination, the Company did not separately report LAE on its financial statements. Each year, the amounts paid for LAE were reported as either professional service fees or fees paid for surveys and underwriting reports. See the "Comments and Recommendations" section of this report.

LITIGATION AND CONTINGENT LIABILITIES

The Company is not party to any pending legal proceedings, nor were any commitments or contingencies found that would materially affect the Company's financial position or operating results, as of December 31, 2016.

REINSURANCE

Specific and Aggregate Excess of Loss Reinsurance

The Company has an excess of loss reinsurance treaty in effect with Farmers Mutual of Tennessee ("FMT") for the purpose of limiting exposure on larger risks. Under the terms of this agreement, the Company retains the first $30,000 of each risk, per occurrence, and reinsures up to $3,420,000 through a series of three (3) layers of coverage.

The 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). This agreement appears to effectuate proper transfer of risk in accordance with SSAP No. 62 and NAIC guidelines. The agreement was found to meet the requirements set forth in Tenn. Code Ann. § 56-22-110.

MARKET CONDUCT ACTIVITIES

In conjunction with this examination, a limited market conduct review was made of the Company, as of December 31, 2016. The following areas were addressed:

Policy Forms and Underwriting Practices

Pursuant to Tenn. Code Ann. §§ 56-5-303, 56-5-304, 56-5-305, and 56-22-109(b)(1), the Company's policy forms in effect from January 1, 2012, through December 31, 2016, were approved by the TDCI on July 25, 2007.

Subsequent to the period under examination, the Company submitted new policy forms to the TDCI for review. These policy forms were approved December 13, 2017, and went into effect January 1, 2018.

The Company's premium rates in effect from January 1, 2012, through April 30, 2013, were approved by the TDCI on July 25, 2007.

The Company's premium rates in effect from May 1, 2013, through December 31, 2016, were approved by the TDCI on June 21, 2012.

Subsequent to the period under examination, the Company developed a tiered rating structure that went into effect on January 1, 2018. These rates were approved by the TDCI on December 13, 2017.

Advertising

The Company's advertising during the period of examination consisted of a listing in the Yellow Pages. The Company's reputation and products are communicated to potential policyholders by the Board and the Company's appointed agents via word of mouth.

Complaint Handling

Pursuant to Tenn. Code Ann. § 56-8-104(11), the Company is required to maintain a complete record of all of the complaints it receives. This record should indicate the total number of complaints received, classification by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint. While the Company did maintain detailed records of complaints received from policyholders, it did not maintain a record such as is required by this statute. See the "Comments and Recommendations" section in this report.

Policy Cancellation

The Company mails a premium notice to its members thirty (30) days before the due date. Policyholders are given thirty (30) days to make their premium payment and then policyholders are notified of past due premium and given a ten (10) day grace period before policy cancellation. If the premium payment is made during the ten (10) day grace period, the Company will pay any legitimate claim, after a reduction for the policy premium due and the deductible.

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

All claims open and unpaid, as of the examination date, and all claims closed during 2016, were examined for compliance with the Company's policy terms and Tenn. Code Ann. § 56-8-105. The Company's Manager adjusted or supervised the adjudication of all claims tested. Tested claims were handled properly, in accordance with policy provisions and applicable statutes.

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed. It was noted that for the year ended December 31, 2017, the Company experienced a net loss of ($88,605). This amounts to a loss of twenty-one percent (21%) of policyholders' surplus during the year. The Company has implemented a new rating structure, updated policy forms, and adopted new underwriting procedures in the period subsequent to the examination. The Company intends for this tiered rating structure, along with the updates to its underwriting practices, to provide more accurate pricing based on the risks it undertakes.

Based on this information, the examiners requested a three-year projection of financial information, along with any significant assumptions used in the preparation of this projected information. The Company expects earned premiums to increase over the next three (3) years, primarily through the implementation of its new rating structure. Projected losses are slightly lower than the average losses incurred over the past several years. This assumption appears reasonable due to the Company's new underwriting guidelines, which the Company asserts will assist in more accurately evaluating the condition of dwellings and other structures prior to issuing policies.

In addition to the rating and underwriting changes, the Company entered into a verbal agreement with FMT, effective January 1, 2018, to offer optional liability coverage to the Company's policyholders as a service to those policyholders who wish to obtain such coverage on properties insured by the Company. The Company hopes this new product offering will help attract new policyholders in addition to aiding in the retention of existing policyholders.

In the process of selling these policies, the Company was listed as the producer on FMT's liability policies. This is a violation of Tenn. Code Ann. § 56-6-106(b), which states, "A business entity may obtain an insurance producer's license; however, only an individual licensed producer or limited lines producer shall sell, solicit or negotiate a contract of insurance in this state."

The Company accepts premium payments for its policies and the FMT liability policies in separate checks each month, and FMT's premiums are deposited into a separate Company-held bank account. The Company remits the FMT liability policy premiums, minus a commission, to FMT after receiving a quarterly statement from FMT. See the "Comments and Recommendations" section in this report.

Currently, there is no written agreement defining how FMT's premiums should be held by the Company or how often settlements should occur. The Company should either discontinue the practice of accepting FMT's premiums or enter into a written agreement with FMT which provides for monthly premium settlements and dictates how FMT's funds should be held by the Company. See the "Comments and Recommendations" section in this report.

Further, the Company receives a commission on every liability policy sold on behalf of FMT. This is a violation of Tenn. Code Ann. § 56-6-113(b), which states "A person shall not accept a commission, service fee, brokerage or other valuable consideration for selling, soliciting or negotiating a contract of insurance in this state if that person is required to be licensed under this part and is not so licensed". See the "Comments and Recommendations" section in this report.

In order to remedy the issues noted above regarding the sale of FMT's liability policies, the Company is currently in discussions with FMT to effect a written agreement that is satisfactory to both parties and in compliance with Tennessee statutes, rules, and regulations.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of income as of December 31, 2016, together with a reconciliation of policyholders' surplus for the period under review, as reported by the Company:

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$321,757		$321,757
Real estate (properties occupied by the company)	51,143		51,143
Cash, cash equivalents, and short-term investments	125,818		125,818
Premium receivables and agents balances	87,386		87,386
Aggregate write-ins for other invested assets	10,138		10,138
Furniture, equipment, and supplies	1,159	$1,159	0
Totals	$597,401	$1,159	$596,242

LIABILITIES AND POLICYHOLDERS' SURPLUS

Unpaid losses and claims	$27,260
Unearned premiums	139,383
Account payable and accrued expense payable	1,214
Taxes, licenses and fees (excluding federal income taxes)	2,430
Total liabilities	170,287
Policyholders' surplus	425,955
Total liabilities and policyholders' surplus	$596,242

STATEMENT OF INCOME

UNDERWRITING INCOME	
Premiums earned	$303,775
DEDUCTIONS	
Net losses incurred	102,388
Other underwriting expenses incurred	304,737
Total underwriting deductions	407,125
Net underwriting gain (loss)	(103,350)
INVESTMENT INCOME	
Net investment income earned	575
Net realized capital gains (losses) less capital gains tax	0
Net investment gain (loss)	575
OTHER INCOME	
Aggregate write-ins for miscellaneous income	19,691
Total other income	19,691
Net income after dividends to policyholders and before federal income taxes	(83,084)
Federal income taxes incurred	0
Net income	($83,084)

POLICYHOLDER'S SURPLUS ACCOUNT

	2016	2015	2014	2013	2012
Policyholders' Surplus December 31, previous year	$509,039	$509,098	$522,663	$618,745	$739,123
Net income or (loss)	(83,084)	(59)	(13,565)	(96,082)	(120,378)
Net change in capital and surplus for the year	(83,084)	(59)	(13,565)	(96,082)	(120,378)
Policyholders' Surplus December 31, current year	$425,955	$509,039	$509,098	$522,663	$618,745

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Policyholders' Surplus $425,955

Total policyholders' surplus, as established by this examination, is the same as what was reported by the Company in its 2016 annual statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2016.

COMMENTS AND RECOMMENDATIONS

Comments

1. As noted in the "Management and Control" section of this report, the Company has had a vacant seat on its Board since July 1, 2016. The Company's Bylaws require the Board to consist of six (6) directors. Any vacancies occurring between annual meetings should be filled by the majority of directors present at any regular meeting or a special meeting called for that purpose. The Company should consider seeking out and appointing a director to fill the vacant seat on its Board, in accordance with its Bylaws.

2. As noted in the "Management and Control" section of this report, the Company does not have a formal conflict of interest policy to govern the actions of its officers and directors. As a "best practice" and to evidence compliance with Tenn. Code Ann. § 56-3-103, the Company should consider implementing such a policy and requiring annual disclosures of conflicts or potential conflicts of interest.

3. As noted in the "Accounts and Records" section of this report regarding its investment custodial agreement, the Company should ensure that it deducts from admitted assets any amounts that should be non-admitted. Due to the immaterial amount of the admission, an adjustment to the financial statements was deemed unnecessary.

4. As noted in "Accounts and Records", the Company should comply with SSAP No. 40 by reporting its office equipment separately from its real estate, which should be reported at cost, less depreciation.

5. As noted in "Accounts and Records", the Company should report any expenses paid in the course of adjudicating losses as LAE. These expenses should be reported separately from fees paid for other services.

Recommendations

1. As noted in the "Market Conduct Activities" section, the Company did not maintain a record of complaints as required by Tenn. Code Ann. § 56-8-104(11). It is recommended that the Company comply with this statute by developing a register that meets all of the requirements of this statute.

2. As noted in the "Accounts and Records" section of this report, the Company has purchased investments through LPL Financial, a broker-dealer, which is acting as a custodian. LPL Financial has insufficient tangible net worth in order to act as a custodian, pursuant to Tenn. Comp. R. & Regs. 0780-01-46-.01(3)(b). It is recommended that the Company either divest of these investments or transfer them to a qualified custodian with an appropriate custodial agreement, in accordance with this regulation.

3. As noted in the "Subsequent Events" section, the Company facilitates the sale of liability insurance coverage underwritten by FMT, as a service to policyholders who wish to obtain such coverage on properties insured by the Company. The practice of selling these policies with the Company listed as the producer is a violation of Tenn. Code Ann. § 56-6-106(b). It is recommended that the Company discontinue the practice of acting as an insurance producer.

   Receipt of commissions on the liability policies sold on behalf of FMT is a violation of Tenn. Code Ann. § 56-6-113(b). It is recommended that the Company discontinue the practice of accepting commissions on policies sold on behalf of other companies.

   Currently, the Company accepts premiums belonging to FMT and holds them in a Company-controlled bank account, separately from general Company funds, until FMT provides a quarterly statement to the Company. There is no written agreement that sets forth how this business should be conducted and for the settlement of funds. It is recommended that the Company either discontinue the practice of accepting FMT's premiums or enter into a written agreement with FMT which provides how FMT's funds should be held by the Company and for the monthly settlements of premiums.

CONCLUSION

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

In such manner, it was determined that, as of December 31, 2016, the Company had admitted assets of $596,242 and liabilities, exclusive of policyholders' surplus, of $170,287. Thus, there existed for the additional protection of the policyholders surplus funds of $425,955. Tenn. Code Ann. § 56-22-105(c) requires an insurer of this Company's type to maintain a minimum surplus of $200,000. For this examination, as of December 31, 2016, the Company was in compliance with the requirements of Tenn. Code Ann. § 56-22-105(c).

The courteous cooperation of the officers, directors, and employees of the Company extended during the course of the examination is hereby acknowledged.

In addition to the undersigned, Jay Uselton, CFE, Insurance Examiner, from the State of Tennessee, participated in the work of this examination.

Respectfully submitted,

Daniel O. Clements, CPA
Examiner-in-Charge
State of Tennessee

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Farmers Aid Association – A County Mutual Insurance Company located in Loudon, Tennessee, dated April 2, 2018, and made as of December 31, 2016, 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.

Daniel O. Clements, CPA
Examiner-in-Charge
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 13th day of June, 2018

Mindy C. Walker
(NOTARY)

My Commission Expires: 7-6-2020

MINDY C WALKER
STATE OF TENNESSEE
NOTARY
PUBLIC
DAVIDSON COUNTY
MY COMMISSION EXPIRES 7-6-2020

EXHIBIT B

FARMERS AID ASSOCIATION
A County Mutual Insurance Company

Proudly Serving Tennessee Counties

Blount ~ Knox ~ Loudon ~ Monroe ~ McMinn ~ Meigs ~ Roane

June 22, 2018

Certified Mail: 7017 1070 0000 4856 1490

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 2012-2016

Dear Ms. Little:

Please accept this correspondence as acknowledgement of receipt of the State's Examination Report of Farmers Aid Association – A County Mutual Insurance Company, made as of December 31, 2016. Our signature below indicates our acceptance of the report, as transmitted, and without rebuttal.

We further acknowledge our examiner, Daniel Clements, who was most respectful and courteous during the examination process.

If there are any questions or concerns regarding this acknowledgement, please feel free to contact me at 865-458-2533, M-F 9:00 am to 5:00 pm EST.

Sincerely,

Joe R. Alexander

Joe R. Alexander
President

JRA/mmw

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