

EXHIBIT A



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
FARMERS MUTUAL FIRE INSURANCE COMPANY
OF
SEVIER COUNTY
SEVIERVILLE, TENNESSEE

AS OF
DECEMBER 31, 2013

TABLE OF CONTENTS

Introduction.....	1
Scope of Examination.....	1
Compliance with Previous Examination Findings	2
Company History	4
Management and Control	4
Management.....	4
Control	5
Conflicts of Interest and Pecuniary Interest	5
Corporate Records.....	6
Service Agreements	6
Fidelity Bonds and Other Insurance	6
Territory and Plan of Operation	7
Insurance Products and Related Practices.....	7
Growth of Company.....	8
Loss Experience	8
Reinsurance	9
Accounts and Records	10
Litigation and Contingent Liabilities	11
Market Conduct Activities	11
Financial Statements	13
Assets	13
Liabilities, Surplus and Other Funds	13
Statement of Income.....	14
Subsequent Events	15
Comments and Recommendations	15
Comments	15
Recommendations	15
Conclusion.....	16
Affidavit.....	17

Nashville, Tennessee
March 26, 2015

Honorable Julie Mix McPeak
Commissioner
State of Tennessee
Department of Commerce and Insurance
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. § 56-22-115, regulations, and resolutions adopted by the National Association of Insurance Commissioners ("NAIC"), a full-scope individual financial examination and market conduct review, as of December 31, 2013, has been made of the condition and affairs of:

FARMERS MUTUAL FIRE INSURANCE COMPANY OF SEVIER COUNTY

144 W. Main Street
Sevierville, Tennessee 37862

hereinafter and generally referred to as the "Company", and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Commissioner of the Tennessee Department of Commerce and Insurance ("TDCI"), commenced on June 9, 2014, and was conducted by duly authorized representatives of the TDCI.

SCOPE OF EXAMINATION

The last examination of the Company was completed as of December 31, 2008. This examination report covers the period from January 1, 2009, through December 31, 2013, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* and practices and procedures of the TDCI. The examination was planned and performed to evaluate the financial condition of the Company, as of December 31, 2013. The examination sought to identify prospective risks by obtaining

information about the Company, including its corporate governance, by identifying and assessing inherent risks within the Company, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions, when consistent with Tennessee statutes and regulations.

Our examination included a review of the Company's business policies and practices, management and corporate matters, verification and evaluation of assets, and a determination of the existence of liabilities. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable Tennessee laws, rules and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Company was not required to file audited financial statements with the TDCI. Therefore, the examination did not include a review of audit workpapers.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

Our examination included a review to determine the current status of the comments and recommendations in our previous Report on Examination, dated June 25, 2010, which covered the period from January 1, 2004, through December 31, 2008. A summary of the directives and the corrective actions taken by the Company is discussed below:

Directive #1

The Company was directed to implement corrective action for the purpose of complying with SSAP No. 6, which requires that premium receivables are to be recorded and documented appropriately.

Corrective Action

The Company is using the AIMS Processing System to produce premium reports in order to monitor premium receivable and its collectability.

Directive #2

The Company was directed to implement corrective action for the purpose of complying with SSAP No. 16, PP 3: EDP equipment and software shall be depreciated for a period not to exceed three years using methods detailed in SSAP No. 19 - Furniture, Fixtures

and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements.

Corrective Action

The Company has satisfactorily addressed this item by changing their depreciation method to comply with SSAP No. 19.

Directive #3

The Company was directed to implement corrective action for the purpose of completing premium taxes correctly in accordance with Tenn. Code Ann. § 56-22-114(b). In addition to the premium taxes levied on county mutual insurance companies under subsection (a), any county mutual insurance company writing fire insurance and lines of business having fire coverage as a part of the risk rate shall pay additional taxes as found in Tenn. Code Ann. § 56-4-208 for the purpose of executing the fire marshal law. For the purposes of subsection (b), the following portions of the amounts required to be reported by line of business in the annual statement required by Tenn. Code Ann. § 56-22-109 shall be considered premiums for insurance covering the peril of fire: (1) Fire lines, one hundred percent (100%); (2) Farmowners and homeowners multiple peril, fifty-five percent (55%); and (3) Combined coverages, including fire, extended coverages, vandalism, malicious mischief and theft, sixty percent (60%).

Corrective Action

Review of premium tax returns indicated proper payment of the tax due to the TDCI.

Directive #4

The Company was directed to implement corrective action for the purpose of complying with Tenn. Code Ann. § 56-22-106(b)(1-2) which sets out the requirements a county mutual must meet in order to provide comprehensive personal liability, farmers comprehensive personal liability, premises liability for dwellings up to four families, premises liability for churches and medical payment coverage associated therewith.

Corrective Action

The Company offers liability coverage to their policyholders written through Farmers Mutual of Tennessee.

COMPANY HISTORY

The Company incorporated on January 15, 1913, under the Tennessee Business Corporation Act as a non-profit mutual benefit corporation. The Company commenced business on January 16, 1913. On October 14, 2005, the Company was issued its most recent Certificate of Authority to transact the business of insurance pursuant to Tenn. Code Ann. § 56-22-101, *et seq.* The business purpose was to insure loss or damage to property due to fire or lightning to residents of Sevier County, Tennessee. Subsequently, counties contiguous to Sevier County, Tennessee have been added to the Company's territory.

The Company's statutory address at incorporation was 144 W. Main Street, Sevierville, Tennessee 37862.

MANAGEMENT AND CONTROL

MANAGEMENT

Management of the Company is vested in a Board of Directors ("Board") with staggered terms. Directors are elected for a three (3) year term. In accordance with the Bylaws, the Board shall consist of nine (9) directors who are Members.

The following persons were duly elected and serving as directors of the Company's Board, as of December 31, 2013:

<u>Director</u>	<u>Principal Business Occupation</u>
James E. Gibson	Retired – U.S. Army
Ralph Curtis Wells, Jr.	Minister & Farmer
Virginia L. Newman	Office Manager
Bill J. DeLozier	Insurance Agent
Kent C. Chandler	Foreman – Sevier County Highway Department
Warren Hurst	Retired - Contractor
Lillard R. Allen	Foreman – Sevier County Highway Department
Glenn Ellis	Supervisor – Sevier County Highway Department
Howard Montgomery	Retired – Oak Ridge National Lab

The annual meeting of the mutual policyholder Members shall be held on the last Saturday in January of each year, at a place designated by the Board.

The Bylaws of the Company instruct the Board to elect annually a President, Vice President, Secretary/Treasurer, and an Agent. The President and Vice President must be chosen from among the directors of the Board. The Secretary/Treasurer and the

Agent, may or may not be a director of the Board, but must be policyholder Members. Each officer shall serve until a successor is chosen by the Board.

The following persons were serving as the Company's officers, as of December 31, 2013:

<u>Name</u>	<u>Title</u>
James E. Gibson	President
Curtis Wells	Vice President
Virginia L. Newman	Secretary/Treasurer

The Board appointed the following Committee to provide oversight for the affairs of the Company:

Executive Committee

<u>Name</u>	<u>Title</u>
James E. Gibson	Director and President
Curtis Wells	Director and Vice President
Virginia L. Newman	Director and Secretary/Treasurer

Audit Committee

<u>Name</u>	<u>Title</u>
James E. Gibson	Director and President
Curtis Wells	Director and Vice President
Virginia L. Newman	Director and Secretary/Treasurer
Glenn Ellis	Director

Finance Committee

<u>Name</u>	<u>Title</u>
James E. Gibson	Director and President
Warren Hurst	Director
Virginia L. Newman	Director and Secretary/Treasurer

CONTROL

The Company is equally owned by its Members, who are the Company's policyholders.

CONFLICTS OF INTEREST AND PECUNIARY INTEREST

A review of the Company's compliance with Tenn. Code Ann. § 56-3-103 found no director or officer of the Company had pecuniary interest in the investment or disposition of Company funds. However, the Company does not have a formal Conflict of Interest

Policy to govern the actions of all directors, officers and employees. See "Comments and Recommendations" section of this report.

CORPORATE RECORDS

Charter

The Charter recites 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. During the period of examination, the Charter was amended for a name change and to permit writing business in counties contiguous to Sevier County in the second degree.

Bylaws

The Bylaws are such as generally found in corporations of this type and contain no unusual provisions. They provide for the regulation of the business and for the conduct of the affairs of the Company, the Board and its Members.

SERVICE AGREEMENTS

The Company uses a service provider to perform some of the functional duties of an insurance company. PGM Accounting and Tax Services, Inc. provides accounting services related to regulatory filings, including preparation of statutory annual statements and NAIC filings, payment of premium taxes and federal income tax filings.

FIDELITY BONDS AND OTHER INSURANCE

Fidelity Coverage

The Company had fidelity coverage of \$50,000. The minimum amount of fidelity coverage suggested for a company of this size is \$75,000, according to the NAIC *Financial Condition Examiners Handbook*. See "Comments and Recommendations" section of this report.

Commercial General Liability and Business Owners Property Policy

The Company's combination Commercial General Liability and Business Owners Property coverage was underwritten by Selective Insurance Company of South Carolina, which is a licensed property and casualty carrier in the State of Tennessee, as of the date of this examination. The policy's commercial general liability limit of insurance was: (a) \$3,000,000 for general aggregate and product aggregate limit, (b) \$1,000,000 liability and medical expenses limits, (c) \$300,000 damage to premises rented, and (d) \$10,000 medical payments (any one person).

The business owners' property insurance limits were: (a) \$182,790 building (replacement cost) and (b) \$30,371 business personal property.

Workers' Compensation and Employers' Liability Policy

For the period January 1, 2009 to January 1, 2014, the Company had in effect a workers' compensation and employers' liability policy with Selective Insurance Company of South Carolina, which is a licensed property and casualty carrier in the State of Tennessee, as of the date of this examination.

Under the policy's specific coverage, the insurer agrees to indemnify the Company for each accident or employee disease up to the statutory limit for workers' compensation liability. The policy covers each employee up to \$100,000 for accident and bodily injury by disease, and up to \$500,000 for all cases of bodily injury by disease incurred by the Company during the policy term.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2013, and as of the date of this examination report, the Company was authorized to transact business in Sevier, Blount, Cocke, Jefferson, and Knox counties in Tennessee.

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company provides its Members coverage on dwelling homes (single & multi-family), rental homes (single & multi-family), modular homes, mobile homes, farm buildings, livestock, personal property, farm machinery, and churches, in case of loss due to fire, wind, hail, lightning, and theft.

Policies are typically written for eighty percent (80%) of the replacement value of the property insured, subject to policy limits of \$200,000 per specific loss. Each policy is issued for one (1) year. Policyholders' premiums are due annually on the policy anniversary date. The standard deductible is \$500.

The Company writes business through one (1) licensed, in-house agent. The agent is paid fifty percent (50%) of the first year's premium on new business. The Company's agent performs a visual inspection of the property, photographs the property, and determines the value of the property prior to the issuance of a policy. Upon the signing of the completed application and collection of the initial billed premium, the policy is

bound. The Company's Executive Committee has the authority to make the final approval for the binding of coverage.

GROWTH OF COMPANY

The following comparative data reflects the growth of the Company for the period under review:

<u>Year</u>	<u>Direct Premiums Written</u>	<u>Net Admitted Assets</u>	<u>Liabilities</u>	<u>Net Income</u>	<u>Policyholders' Surplus</u>
2013	\$886,941	\$3,172,481	\$383,230	\$309,913	\$2,789,251
2012	\$726,914	\$3,106,614	\$627,276	(\$18,321)	\$2,479,338
2011	\$818,755	\$3,069,645	\$571,986	(\$62,287)	\$2,497,659
2010	\$746,755	\$3,101,345	\$537,390	\$246,221	\$2,564,255
2009	\$819,250	\$2,791,963	\$472,929	\$181,104	\$2,318,034

LOSS EXPERIENCE

The following comparative data reflects the loss experience of the Company for the period under review:

<u>Year</u>	<u>Premiums Earned</u>	<u>Incurred Losses & LAE</u>	<u>Underwriting Ratio</u>	<u>General & Adm. Expense</u>	<u>Gen. & Adm. Expense To Premium</u>	<u>Combined Ratio</u>
2013	\$885,244	\$389,904	44.04%	\$200,375	22.64%	66.68%
2012	\$731,625	\$559,773	76.51%	\$213,202	29.14%	105.65%
2011	\$810,153	\$702,205	86.68%	\$214,468	26.47%	113.15%
2010	\$735,802	\$346,131	47.04%	\$204,615	27.81%	74.85%
2009	\$817,130	\$489,441	59.90%	\$216,322	26.47%	86.37%

REINSURANCE

Effective January 1, 2013, the Company ceded risk through an Excess of Loss Reinsurance Agreement with Farmers Mutual of Tennessee headquartered in Knoxville, Tennessee, as follows:

Type:	Combination Per Risk/Aggregate Excess of Loss
Coverage:	Section I – Property Risk Excess of Loss: covers each loss in excess of the Company’s \$65,000 maximum retention up to the reinsurers \$135,000 each risk, each occurrence.
	Section II – Aggregate Excess of Loss: The reinsurer shall not be liable for any loss hereunder until the Company’s ultimate net loss in the aggregate for each calendar year exceeds the greater of: (a) eighty-five percent (85%) of the Company’s gross net earned premium income or (b) \$578,000, and then the reinsurer shall be liable for one hundred percent (100%) of the Company’s ultimate net loss in excess of the amount; but the reinsurer’s liability for each calendar year shall not exceed one hundred percent (100%) or the lesser of: (a) forty percent (40%) of the Company gross net earned premium income or (b) \$408,000.
Type:	Second Aggregate Excess of Loss
Coverage:	The reinsurer shall not be liable for any loss hereunder until the Company’s ultimate net loss in the aggregate for each calendar year exceeds the greater of eighty-five percent (85%) of the Company’s gross net earned premium income or \$578,000, plus the lesser of forty percent (40%) of gross net earned premium income or \$408,000, and then the reinsurer shall be liable for one hundred percent (100%) of the Company’s ultimate net loss in excess of the greater of eighty-five percent (85%) of the gross net earned premium income or \$408,000, but the reinsurer’s liability shall not exceed one hundred percent (100%) of the lesser of three hundred seventy-five percent (375%) of the gross net premium income or \$3,825,000 in the aggregate.
Type:	Third Aggregate Excess of Loss
Coverage:	The reinsurer shall not be liable for any loss hereunder until the Company’s ultimate net loss in the aggregate for each calendar year exceeds the greater of five hundred percent (500%) of the Company’s gross net earned premium income or \$3,400,000, and the reinsurer shall be liable for one hundred percent (100%) of the Company’s ultimate net loss in excess of the greater of five hundred percent (500%) of the gross net premium income or \$3,400,000, but the reinsurer liability shall not exceed one hundred percent (100%) of the lesser of five hundred percent (500%) of the gross net premium income or \$5,100,000 in the aggregate.

As of January 1, 2013 and 2014, the maximum amount of coverage the Company was allowed to retain for a single risk was \$94,380 and \$103,678, respectively, in accordance with Tenn. Code Ann. § 56-22-106(c)(1).

ACCOUNTS AND RECORDS

Financial Records

The Company's general accounting records consisted of an automated general ledger and various subsidiary ledgers (e.g., cash receipts, cash disbursements). Our review did not disclose any deficiencies in these records.

Accounting records conformed to statutory accounting practices and procedures as reflected within the Company's operations during the period under examination, and the status of the Company at the date of examination.

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to confirm values for assets and liabilities appearing in the Company's financial statements. General ledger trial balances were reconciled with the financial statements, and all were reviewed for completeness of disclosure and conformity to NAIC Accounting Practices and Procedures, as permitted by Tenn. Comp. R. & Regs. 0780-01-78-.04(1).

Information Systems

The Company conducted business electronically using basic contemporary computing and networking methods. The Company had a domain server/client computing arrangement facilitated by a server. The Company's employees worked from individual personal computer desktop workstations authenticating against a server file and print server. Users communicated internally and externally via electronic mail ("email").

The Company's assets, liabilities, cash receipts and disbursements were recorded using PeachTree Software. In addition to paper files, the Company used Automated Insurance Management Systems software to maintain policy file information, perform premium billing, and record premium payments.

The Company is currently working on a disaster recovery plan for its information technology systems, which will be a cloud-based data recovery. This process is expected to be completed sometime in 2015.

LITIGATION AND CONTINGENT LIABILITIES

Based upon data provided during the course of this examination, there was only one litigated claim. The claim has been in dispute since April 2012. This claim is not considered to have a material impact on surplus.

MARKET CONDUCT ACTIVITIES

In conjunction with this examination, a market conduct review was made of the Company, as of December 31, 2013. The following areas were addressed:

Policy Forms and Underwriting Practices

The Policy Analysis Section of the TDCI received a copy of the Company's application, policy form, and premium rates. This documentation was stamped "approved" on September 20, 2012, pursuant to Tenn. Code Ann. § 56-22-109(b)(1) and Tenn. Code Ann. §§ 56-5-303, 56-5-304 and 56-5-305.

Owner Occupied:

Dwelling and Contents

T1*	Under \$50,000	\$6.00 to \$8.00 per \$1,000 coverage
T1*	\$50,000 and above	\$5.00 to \$7.00 per \$1,000 coverage
T2	Under \$50,000	\$7.00 to \$9.00 per \$1,000 coverage
T2	\$50,000 and above	\$6.00 to \$8.00 per \$1,000 coverage
T3	Under \$50,000	\$8.00 to \$10.00 per \$1,000 coverage

*Liability and theft included on policies (owner occupied) of \$80,000 or more on dwelling only.

Tenant Occupied:

Rental Dwelling

T1	Under \$50,000	\$7.00 to \$9.00 per \$1,000 coverage
T1	\$50,000 and above	\$6.00 to \$8.00 per \$1,000 coverage
T2	Under \$50,000	\$8.00 to \$10.00 per \$1,000 coverage
T2	\$50,000 and above	\$6.00 to \$8.00 per \$1,000 coverage

Farm Buildings and Farm Personal Property in Farm Buildings:

Type 1	Building & Farm Personal Property	Rate per \$100 Coverage equals \$1.00
Type 2	Buildings & Farm Personal Property	Rate per \$100 Coverage equals \$2.00
Type 3	Buildings & Farm Personal Property	Rate per \$100 Coverage equals \$2.00
	Hay & Tobacco in Barns	Rate per \$100 Coverage equals \$2.00
	Specifically Insured Machinery	Rate per \$100 Coverage equals \$0.60
	Tractors	Rate per \$100 Coverage equals \$.80 (includes theft)
		Rate per \$100 Coverage equals \$0.60
		Fire
	Livestock	All Classes per \$100 coverage equals

\$0.60

Mobile Home Rates:

Over 10 years old	\$20 per \$1,000
Over 5 years old	\$15 per \$1,000
Less than 5 years old	\$12 per \$1,000

There were no other changes to the Company's premium rates or deductible during the period of examination.

Advertising

The Company's advertising during the period of examination consisted of the Yellow Pages, calendars and pens distributed to the general public.

Policy Cancellation

Members are given ten (10) days from the delivery of the notice of premium to make their premium payment. After ten (10) days, the Member is considered suspended, and the Company is not liable for any loss until such time payment is made.

The Company adheres to the non-renewal provisions contained in Tenn. Code Ann. § 56-7-1901 and Tenn. Code Ann. § 56-7-1902, in accordance with Tenn. Code Ann. § 56-22-109(b)(2) (effective January 1, 2007), that relate to the notice of intention to non-renew and the reason for non-renewal.

Privacy of Non-Public Personal Information

The Company's privacy policy was reviewed. No instances of non-compliance with Tenn. Comp. R. & Regs. R. 0780-01-72, "Privacy of Consumer Information Regulations" were noted.

FINANCIAL STATEMENTS

There follows a balance sheet and a statement of operations and fund balance, as of December 31, 2013, for the period under review, as established by this examination:

ASSETS

Bonds, and Long-term Certificate of Deposits	\$250,000
Real estate (properties occupied by the company)	50,237
Cash and cash equivalents	2,857,772
Premium receivables and agents balances	9,839
Federal income tax recoverable	2,892
Interest, dividends and real estate income due and accrued	1,217
Furniture, equipment and supplies	<u>524</u>
Total	<u>\$ 3,172,481</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$2,000
Unearned premiums	377,462
Account payable and accrued expense payable	816
Taxes, licenses and fees	<u>2,952</u>
Total Liabilities	383,230
Policyholders' surplus	<u>2,789,251</u>
Total	<u>\$3,172,481</u>

STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned	\$885,244
DEDUCTIONS:	
Losses incurred	389,904
Loss expenses	3,900
Total underwriting expenses incurred	200,375
Total underwriting deductions	<u>594,179</u>
Net underwriting gain (loss)	291,065

INVESTMENT INCOME

Net investment income earned	<u>14,052</u>
Net investment gain (loss)	14,052

OTHER INCOME

Finance and service charge not included in premiums	<u>6,904</u>
Total other income	<u>6,904</u>

Net income after dividends to policyholders and before federal income taxes	312,021
Federal income taxes incurred	<u>2,108</u>
Net income	<u>\$309,913</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31 prior year	\$2,479,338
Net income	<u>309,913</u>
Surplus as regards policyholders as of December 31, 2013	<u>\$2,789,251</u>

SUBSEQUENT EVENTS

None.

COMMENTS AND RECOMMENDATIONS

COMMENTS

- (1) The Company is expected to complete a disaster recovery plan during 2015.
- (2) It is suggested the Company increase fidelity coverage to the \$75,000 minimum, as indicated in the NAIC *Financial Condition Examiners Handbook*.
- (3) The Company does not have a formal Conflict of Interest Policy to govern the actions of all directors, officers, and employees. The Company is advised to implement such a policy and require annual disclosures of conflicts or potential conflicts of interest.

RECOMMENDATIONS

None.

CONCLUSION

Insurance examination practices and procedures, as promulgated by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Farmers Mutual Fire Insurance Company of Sevier County of Sevierville, Tennessee.

In such manner, it was determined that, as of December 31, 2013, the Company had admitted assets of \$3,172,481 and liabilities, exclusive of unassigned funds, of \$383,230. Thus, there existed for the additional protection of the policyholders surplus funds of \$2,789,251.

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

Respectfully submitted,



Rebecca E. Walker
Insurance Examiner
State of Tennessee

AFFIDAVIT

The undersigned deposes and states that she has duly executed the attached examination report of Farmers Mutual Fire Insurance Company of Sevier County, dated March 26, 2015, and made as of December 31, 2013, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further states she is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of her knowledge, information, and belief.

Rebecca E. Walker

Rebecca E. Walker
Insurance Examiner
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 25th day of June, 2015

Notary Helen W. Dorsey

My Commission Expires: 11/06/2017



EXHIBIT B



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

June 23, 2015

CERTIFIED MAIL
7012 1010 0003 2379 5438

Ms. Virginia L. Newman
Contact Person
Farmers Mutual Fire Insurance Company
of Sevier County
144 W. Main Street
Sevierville, TN 37862

**RE: Report of Examination of Farmers Mutual Fire Insurance Company of
Sevier County**

Dear Ms. Newman:

Enclosed please find a FINAL copy of the Report of Examination for Farmers Mutual Fire Insurance Company of Sevier County, made as of December 31, 2013. If you are in agreement with the report, please respond immediately, in writing, to that effect. A sample response letter is attached for your convenience. Your response may be submitted via email to my attention at joy.little@tn.gov.

If you wish to make a written submission or rebuttal with respect to any matter contained within the report, pursuant to Tenn. Code Ann. 56-1-411(d)(1), please provide this office with your company's position as soon as possible. When preparing your submission or rebuttal, please quote the Comment, Recommendation or page number from the report and detail your comments, providing any supporting documentation.

Should you have questions, you may reach me at (615) 741-6796. We appreciate your timely assistance with this matter and your courteous cooperation during the examination.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Joy Little".

E. Joy Little, CPA, CFE, MCM
Insurance Examinations Director/Chief Examiner
Enclosure

Farmers Mutual Fire Insurance Company

of Sevier County
144 W. Main St.
Sevierville, TN 37862
865-453-2952

June 25, 2015

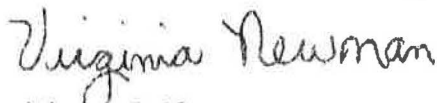
E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

RE: Farmers Mutual Fire Insurance Company of Sevier County –
Report of Examination

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Farmers Mutual Fire Insurance Company of Sevier County. By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,



Virginia L. Newman
Secretary-Treasurer