

EXHIBIT A



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
TENNESSEE FARMERS ASSURANCE COMPANY
(NAIC # 41220)
COLUMBIA, TENNESSEE

AS OF
DECEMBER 31, 2015

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Columbia, Tennessee
June 2, 2017

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.”) § 56-1-408, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope financial examination and a market conduct review, as of December 31, 2015, has been made of the conditions and affairs of:

TENNESSEE FARMERS ASSURANCE COMPANY

NAIC # 41220
147 Bear Creek Pike
Columbia, Tennessee 38401-2266

hereinafter generally referred to as “TFAC” or 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 rules promulgated by the NAIC. The examination commenced on June 25, 2016, and was conducted by duly authorized representatives of the TDCI. This examination was called through the NAIC’s Financial Examination Electronic Tracking System (FEETS). There were no requests from other states for a coordinated examination. It was conducted simultaneously with the examination of two (2) other insurance companies in the Tennessee Farmers Group, all based in Columbia, Tennessee, as follows:

- Tennessee Farmers Life Insurance Company
- Tennessee Farmers Mutual Insurance Company

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2010. This examination covers the period January 1, 2011, through December 31, 2015, and includes any material transactions and/or events occurring subsequent to the examination date which were 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 *NAIC Financial Condition Examiners Handbook* ("Handbook"), as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Company as of December 31, 2015. 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.

During planning, all accounts and balances were reviewed to determine which key activities and accounts would be examined. The key activities included: Investments; Underwriting; Reinsurance Assumed; Reinsurance Ceded; Reserving/Claims Handling; Related Party; Premiums; Taxes; Expenses; and Capital & Surplus.

The Company's 2015 annual statement was compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology general controls (ITGC) was conducted. The examination included a review of management and organizational controls, logical and physical security controls, system and program development and change controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

Although the Company does not maintain an Internal Audit (IA) Department, it does have internal controls that are tested regularly. As such, tests of controls were used whenever possible to reduce the amount of substantive test work required to determine completeness and accuracy of annual statement financial reporting.

Independent actuaries, Lewis & Ellis, Inc., were utilized in the review of the Company's loss reserves.

Johnson Lambert LLP was the certified public accountant (CPA) and independent auditor for the Company for the years under examination. The CPA's work papers were reviewed for the 2015 audit and copies were incorporated into the examination, as deemed appropriate.

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

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The examination included a review to determine the current status of the comments and recommendations included in the previous report on examination, dated June 14, 2012, which covered the period from January 1, 2005, through December 31, 2010. The previous full-scope examination report contained two (2) comments. The Company addressed the prior exam comments during the course of the previous examination. Below is a description of the prior examination report's comments:

Comments:

The Company has a complaint register as required by Tenn. Code Ann. § 56-8-104 (11); however, the Company's records were found not to be in compliance with the statute in the following areas:

- The Company's records do not show the time it took to process each complaint. Therefore, the Company's average complaint processing time could not be determined as part of this examination.
- The Company's complaint records do not include data on complaints received through the TDCI. The Company stated that all complaints received through the Department are resolved quickly, with a response provided back to the Department in a timely manner; however no record of these complaints is maintained.

Prior to completion of the examination, the Company upgraded its complaint handling system so that the date each complaint is received is logged. The system also tracks the date that the complaint was resolved. In addition, complaints received from the TDCI are now tracked using the complaint register.

COMPANY HISTORY

The Company was incorporated under the provisions of the Tennessee General Corporation Act on April 3, 1991. The Company operates as a stock property and casualty insurance company and was issued a Certificate of Authority by the TDCI on May 2, 1991. Business commenced on August 1, 1991.

Subsequent to the Company's incorporation, TFHC, Inc. purchased twenty-four million, four hundred thousand (24,400,000) shares of one dollar (\$1) par value common stock. Through additional purchases and declared dividends, TFHC, Inc., as of December 31, 2015, owned forty-seven million, four hundred thirty-eight thousand, six hundred forty-three (47,438,643) shares of the Company, which represents ninety-one and one-tenth percent (91.1%) of the outstanding shares.

As of December 31, 2015, there are fifty-two million, seventy-three thousand, one hundred fifty (52,073,150) shares of common stock issued and outstanding. The remaining shares are issued to policyholders, agents, officers, and directors of Tennessee Farmers Mutual Insurance Company (TFMIC) and its affiliates.

Since its inception in August, 1992, the primary changes in the Company's outstanding common stock and paid in and contributed surplus resulted from small repurchases of common stock and new stock certificates issued to TFMIC in order to contribute to TFMIC's 401(k) retirement plans. Also, new shares were issued to new agents and directors. The Company has also declared stock dividends at various times over the years.

At December 31, 2015, the Company was licensed in one state, Tennessee.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

Management of the Company is vested in a Board of Directors ("Board") elected annually. In accordance with the Bylaws, the Board shall consist of not less than five (5) nor more than twenty-five (25) directors. The composition of the Board has been identical for all (3) companies comprising the Tennessee Farmers Group.

The following persons had been duly elected and were serving as directors on the Company's Board at December 31, 2015:

<u>Name</u>	<u>Principal Occupation</u>
Lacy Upchurch	President and Chairman, Tennessee Farmers Group
Jeff Aiken	Farmer
Willard Brown	Farmer
Joseph Allen Bryant	Farmer
Malcolm Burchfiel	Farmer
Robert Earhart	Farmer
Charles Hancock	Farmer
Dan Hancock	Farmer
James Haskew, Jr.	Farmer
Jason Luckey	Farmer
Jane May	Farmer/Homemaker
William Eric Mayberry	Farmer
David Mitchell	Farmer
David Richesin	Farmer
Jack Sanders	Farmer
Catherine Via	Farmer/Education Supervisor

The Board is charged with managing the business and affairs of the Company. Each director must be a member in good standing of the Tennessee Farm Bureau Federation and must be a member in good standing of a county Farm Bureau. Though not required by the Charter or Bylaws of the Company, historically eleven (11) members of the Board have also served on the Federation Board of Directors.

Officers

The Bylaws of the Company provide that the Board shall elect annually a president, a first vice president, a chief executive officer (CEO), a secretary, a treasurer, and such additional officers as the chief executive officer may propose and the Board approves. The following officers were duly elected and were serving in the positions indicated for the Company at December 31, 2015:

<u>Name</u>	<u>Office</u>
Lacy Upchurch	President and Chairman of the Board
Jeff Aiken	First Vice President
Matthew M. Scoggins, Jr.	Chief Executive Officer
Ed Lancaster	Secretary and General Counsel
Wayne Merrill	Treasurer and Chief Financial Officer
John Law	Chief Operating Officer
Steve Burt	Chief Information Officer
Jeff Pannell	Chief Marketing Officer
Neal Townsend	Chief Administrative Officer

The President functions as the Chairman of the Board and presides over all meetings of the stockholders and the Board. The President also serves as a conduit to the

executive personnel concerning policies established by the Board. Subject to the control of the Board, the CEO shall have general management and control of the affairs and business of the Company, and shall perform all other duties and exercise all other powers commonly incident to his office, or which are required by law.

Committees

The Company's Investment Committee at December 31, 2015 is as follows:

<u>Name</u>	<u>Title</u>
Lacy Upchurch	President
Matthew M. Scoggins, Jr.	Chief Executive Officer
Wayne Merrill	Treasurer and Chief Financial Officer
Dennis Stephens	Chief Operating Officer
Ed Lancaster	Secretary and General Counsel

Non-Voting Members

Randy Maxwell	Investment Portfolio Manager
David Williamson	Investment Portfolio Manager
Jerry Cook	Vice President of Accounting

The Company's Audit Committee at December 31, 2015 is as follows:

<u>Name</u>	<u>Title</u>
Jeff Aiken	Director
Eric Mayberry	Director
Jason Luckey	Director
Jack Sanders	Director
Catherine Via	Director

Non-Voting Members

Matthew M. Scoggins, Jr.	Chief Executive Officer
Wayne Merrill	Treasurer/Chief Financial Officer
Edward Lancaster	Secretary/General Counsel

The administrative and executive functions of the Company are performed by the home office staff.

CONTROL

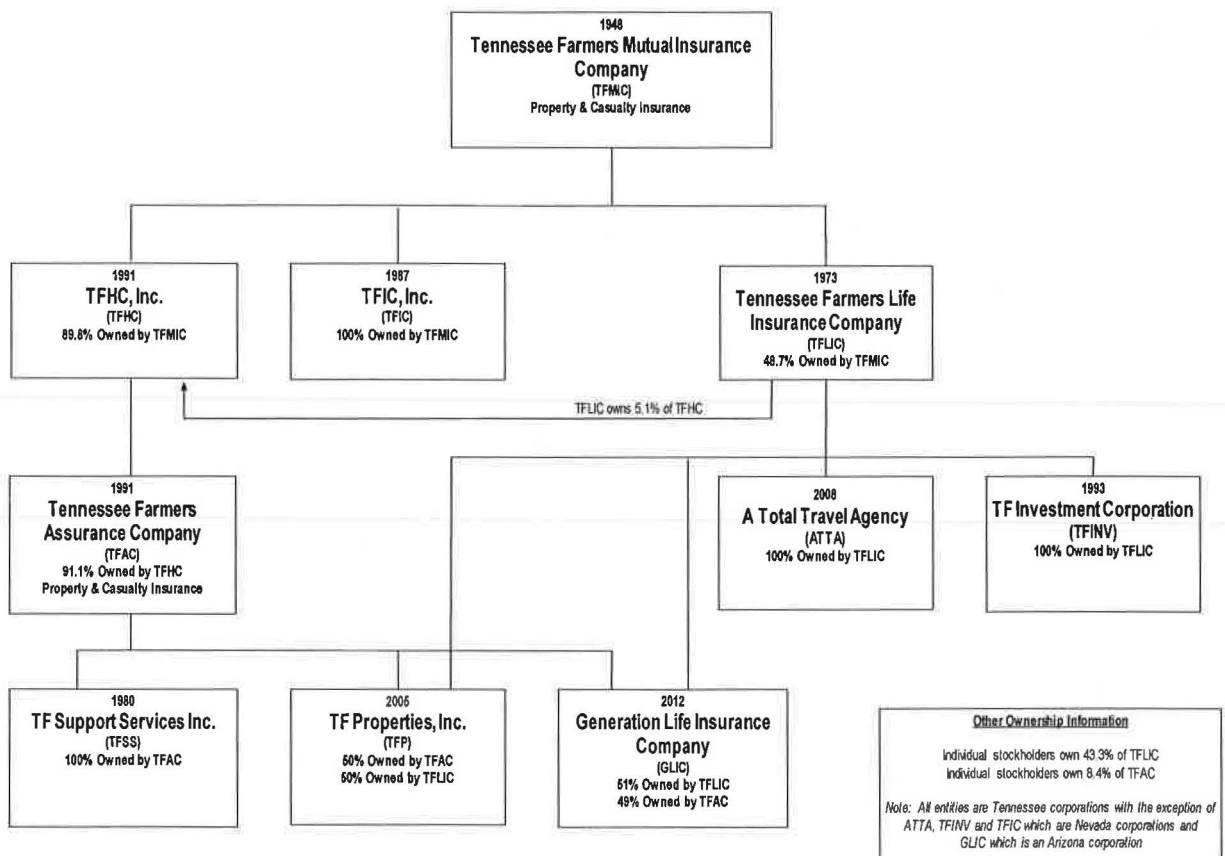
The Company's immediate parent is TFHC, Inc., a holding company that owns ninety-one and one-tenth percent (91.1%) of the outstanding shares of stock. Individual stockholders own eight and four-tenths percent (8.4%) of the Company. The Company's ultimate parent is TFMIC, which owns eighty-nine and eight-tenths percent (89.8%) of the immediate parent, TFHC, Inc.

The Company owns one hundred percent (100%) of the stock of TF Support Services, Inc., fifty percent (50%) of TF Properties, Inc., and forty-nine percent (49%) of Generation Life Insurance Company (“Generation”), an Arizona domiciled life insurance company.

CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

The Company established a conflict of interest policy for its Directors and Officers to attest to compliance with Tenn. Code Ann. § 56-3-103, prohibiting officers and directors from having a pecuniary interest in the investment or disposition of Company funds. The Officers and Directors filed annual conflict of interest statements for each year under examination. No exceptions were noted.

ORGANIZATIONAL CHART



DIVIDENDS

During the period of examination, the Company declared and paid stock dividends to its shareholders of three percent (3%) annually, with the exception of 2012, when no dividend was paid. The following table lists each dividend amount:

<u>Year</u>	<u>Shares</u>
2015	1,517,407
2014	1,473,446
2013	1,430,841
2012	0
2011	<u>1,393,618</u>
Total	<u>5,815,312</u>

CORPORATE RECORDS

The minutes of meetings of the Company's shareholders, Board, and committees were reviewed for the period under examination. They were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies.

Charter

The Charter of the Company in effect as of December 31, 2015, was filed and recorded with the Tennessee Secretary of State on April 3, 1991. The Charter was approved by the TDCI on the same date. It was filed and recorded with the Maury County Register of Deeds on April 9, 1991.

The Charter provided for the operation of a "for-profit" corporation and authorized a maximum number of one hundred million (100,000,000) shares of common capital stock with a par value of one dollar (\$1) per share. These shares have unlimited voting rights and have the right to receive the net assets of the Company upon dissolution.

The Charter states that the purpose of the Company is "To issue contracts of insurance and/or to reinsure or accept reinsurance of all forms of property and casualty insurance...." The Company made no amendments to its Charter during the period of examination.

Bylaws

The Restated Bylaws of the Company, in effect as of December 31, 2015, were restated effective April 9, 1992, and amended on April 4, 1994. No amendments have been enacted during the period of examination.

The current Bylaws are such as are 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.

AGREEMENTS WITH PARENT, SUBSIDIARIES, AND AFFILIATES

The Company had the following agreements with affiliated companies in effect as of December 31, 2015:

Management Services Agreement

The Company is a party to a Management Services Agreements with its ultimate parent, TFMIC. Under the agreement, TFMIC performs all management, administrative, and other services that are reasonably necessary for the operation of the company. These services include, but are not limited to: employees, legal, claims, managerial, and accounting.

The agreement provides for TFMIC to be paid for services and supplies in an amount determined in accordance with Treasury Regulation Section 1.482-2 *et seq.* as codified in Title 26 of the United States Internal Revenue Code. The agreement calls for settlement to be remitted on a quarterly basis.

The agreement was dated April 25, 1991, and had an ending date of December 31, 1991, with the option to renew on a calendar year basis thereafter.

Tax Allocation Agreement

The Company entered into a tax allocation agreement with its parent companies, TFMIC and TFHC, Inc., and affiliates, Tennessee Farmers Support Services, Inc., and TFIC, Inc., effective December 31, 2011. Under the terms of the agreement, the subsidiaries shall establish a liability to TFMIC for the amount of federal income tax that relates to the subsidiary's contribution to the total consolidated federal income tax liability. In the event that a subsidiary incurs a net operating loss, thus providing a tax benefit to the consolidated group, the Company shall credit to the subsidiary the amount of the tax benefit attributable to the subsidiary's net operating loss. Amounts are to be settled no later than forty-five (45) days after the date on which the consolidated tax return is required to be filed.

FIDELITY BOND AND OTHER INSURANCE

Minimum fidelity bond coverage of \$1,750,000 to \$2,000,000 is suggested by guidelines published in the NAIC Handbook. Presently, the Company self-insures its employee dishonesty coverage (fidelity).

The Company's administrative and other services are performed under a Management Services Agreement with TFMIC. Therefore, any workers' compensation coverage would be provided under coverage issued to TFMIC.

The Company is covered under a Commercial General Liability Policy issued by its parent, TFMIC, with coverage as follows:

Type of Coverage	Coverage Limits
Commercial General Liability:	
Each occurrence	\$2,000,000
General aggregate	\$2,000,000
Products-Completed operations aggregate limit	\$2,000,000
Personal & advertising limit	\$2,000,000
Damage to premises rented	\$50,000
Medical expense limit (any one person)	\$5,000

EMPLOYEE BENEFITS AND PENSION PLANS

The Company has no employees. Any services performed on behalf of the Company are provided by employees of TFMIC under recitals of a Management Services Agreement. This agreement is discussed under the caption, "Agreements with Parent, Subsidiaries, and Affiliates."

TERRITORY AND PLAN OF OPERATION

TERRITORY

As of December 31, 2015, and as of the date of this report, the Company was licensed to transact business in the State of Tennessee. The Certificate of Authority for that jurisdiction was reviewed and found to be in order.

Premium tax records were reviewed for Tennessee, and no exceptions were noted.

SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN

<u>State</u>	<u>Direct Premiums Written</u>	<u>Direct Premium Earned</u>	<u>Direct Losses Paid</u>	<u>Direct Losses Incurred</u>	<u>Direct Losses Unpaid</u>
Tennessee	\$0	\$0	(\$780)	(\$8,778)	\$7,509
Totals	<u>\$0</u>	<u>\$0</u>	<u>(\$780)</u>	<u>(\$8,778)</u>	<u>\$7,509</u>

PLAN OF OPERATION

The Company ceased writing direct premium in 2009. As in-force policies expired during 2009, new policies were written by TFMIC, so that no in-force policies remained after December 31, 2009. The Company currently assumes fifty percent (50%) of the premium written by TFMIC, as well as fifty percent (50%) of the associated losses and loss adjustment expenses, underwriting expenses and policyholder dividends of TFMIC.

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 its annual statements as filed with the TDCI:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Total Capital and Surplus</u>	<u>Earned Premiums</u>	<u>Incurred Losses</u>
2015	\$1,302,544,730	\$428,070,373	\$874,474,357	\$580,719,286	\$340,973,548
2014	\$1,156,614,398	\$413,187,552	\$743,426,846	\$566,847,110	\$343,559,549
2013	\$1,014,162,169	\$378,711,206	\$635,450,963	\$547,155,313	\$326,519,975
2012	\$874,549,294	\$362,610,022	\$511,939,272	\$519,927,446	\$417,873,075
2011	\$877,243,747	\$384,720,947	\$492,522,800	\$469,096,503	\$557,570,457

LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements filed with the TDCI, the ratios of losses incurred to earned premiums for the period subject to this examination were as follows:

<u>Year</u>	<u>Losses Incurred</u>	<u>LAE Incurred</u>	<u>Premiums Earned</u>	<u>Loss Ratio</u>
2015	\$340,973,548	\$44,560,847	\$580,719,286	66.4%
2014	\$343,559,549	\$39,608,598	\$566,847,110	67.6%
2013	\$326,519,975	\$34,098,616	\$547,155,313	65.9%
2012	\$417,873,075	\$36,775,299	\$519,927,446	87.4%
2011	\$557,570,457	\$34,050,948	\$469,096,503	126.1%
Total	<u>\$1,986,496,604</u>	<u>\$189,094,308</u>	<u>\$2,683,745,658</u>	<u>81.1%</u>

REINSURANCE AGREEMENTS

The Company's reinsurance agreements were reviewed and found to contain the standard provisions for arbitration, cancellation, errors and omissions, exclusions, insolvency, offset, settlement, taxes, and termination. The Company's reinsurance agreements transferred risk in accordance with SSAP No. 62 and NAIC guidelines. The following summary describes the significant reinsurance agreements, in effect as of December 31, 2015:

Assumed Reinsurance with Affiliates

The Company assumes, through a quota share agreement, fifty percent (50%) of all lines of business issued by TFMIC effective August 1, 1991. This agreement covers liabilities that existed on and after August 1, 1991.

The Company assumes, through a quota share agreement, fifty percent (50%) of the business assumed by TFMIC from American Agricultural Insurance Company (AAIC), which AAIC initially assumed through its office in Columbus, Ohio. TFMIC uses the Columbus assumption to spread its geographical risk exposure.

Ceded Reinsurance with Affiliates

The Company cedes, through a quota share agreement, fifty percent (50%) of all lines of business issued by the Company to TFMIC effective January 1, 1999. This agreement covers liabilities that existed on and after January 1, 1999.

LITIGATION AND CONTINGENT LIABILITIES

During the period of examination and as of December 31, 2015, the Company is a party to various pending legal proceedings arising in the ordinary course of business. Based upon the opinion of its counsel as to the ultimate disposition of such lawsuits and claims, Company management believes that contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the Company.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the named jurisdictions or custodians below, as of December 31, 2015.

GENERAL DEPOSITS

<u>Jurisdiction</u>	<u>Description of Security</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Par Value</u>
Tennessee - Department of Insurance	Metro Govt. Nashville Bond, 5.00% Due 7-1-26, CUSIP # 592112LZ7	\$2,954,894	\$3,018,050	\$2,500,000
	Total General Deposits	\$2,954,894	\$3,018,050	\$2,500,000

Deposits with said jurisdictions or custodians were verified by direct correspondence with the custodians of such deposits.

ACCOUNTS AND RECORDS

Tenn. Comp. R. & Regs. 0780-01-65-.08(4)(a), states that no partner or other person responsible for rendering a report by a certified public accounting firm may act in that capacity for more than five (5) consecutive years. The Company was audited by Johnson & Lambert, LLP for all years under examination. The CPA firm is in compliance with this regulation.

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

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

MARKET CONDUCT ACTIVITIES

The Company ceased writing direct premium in 2009. As in-force policies expired during 2009, new policies were written by TFMIC, so that no in-force policies remained after December 31, 2009. Therefore, no market conduct review was performed in conjunction with this examination.

SUBSEQUENT EVENTS

On October 3, 2016, the Company sold all of its shares of Generation to iptiQ Americas, Inc., a Delaware corporation.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of revenue and expenses, as of December 31, 2015, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2015 Annual Statement.

ASSETS

	<u>Assets</u>	<u>Non- admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$1,119,595,935		\$1,119,595,935
Preferred stocks	166,670		166,670
Common stocks	95,254,949		95,254,949
Cash and short-term investments	22,976,928		22,976,928
Other invested assets	15,356,298		15,356,298
Aggregate write-ins for invested assets	518,997	518,997	
Investment income due and accrued	14,185,211		14,185,211
Amounts recoverable from reinsurers	9,833		9,833
Net deferred tax asset	48,762,421	13,777,117	34,985,304
Receivables from parent, subsidiaries and affiliates	13,602		13,602
Aggregate write-ins for other-than- invested assets	<u>208,097</u>	<u>208,097</u>	<u>0</u>
Totals	<u>\$1,317,048,941</u>	<u>\$14,504,211</u>	<u>\$1,302,544,730</u>

LIABILITIES, CAPITAL, AND SURPLUS

Losses		\$144,836,778
Loss adjustment expenses		25,205,936
Other expenses		200
Taxes, licenses and fees		920,112
Unearned premiums		221,681,421
Dividends declared and unpaid:		
Policyholders		1,276,079
Amounts withheld by company for account of others		289
Payable to parent, subsidiaries and affiliates		<u>34,149,558</u>
Total liabilities		428,070,373
Common capital stock	\$52,073,150	
Gross paid in and contributed surplus	25,506,337	
Unassigned funds (surplus)	<u>796,894,870</u>	
Surplus as regards policyholders		<u>874,474,357</u>
Totals		<u>\$1,302,544,730</u>

STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned		\$580,719,286
Deductions:		
Losses incurred	\$340,973,548	
Loss adjustment expenses incurred	44,560,847	
Other underwriting expenses incurred	<u>89,178,709</u>	
Total underwriting deductions		<u>474,713,104</u>
Net underwriting gain (loss)		106,006,182

INVESTMENT INCOME

Net investment income earned	41,609,523	
Net realized capital gains (losses)	<u>2,606,977</u>	
Net investment gain (loss)		44,216,500

OTHER INCOME

Aggregate write-ins for miscellaneous income	<u>3,793,447</u>	
Total other income		<u>3,793,447</u>
Net income before dividends to policyholders and federal income taxes		154,016,129
Dividends to policyholders		<u>1,262,822</u>
Net income before federal income taxes		152,753,307
Federal income taxes incurred		<u>30,316,878</u>
Net income		<u>\$122,436,429</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital and surplus					
December 31, prior year	\$743,426,846	\$635,450,963	\$511,939,272	\$492,522,800	\$620,300,634
Net Income	122,436,429	108,577,643	143,995,436	24,986,414	(157,867,856)
Change in net unrealized capital gains or (losses)	(2,416,481)	(1,528,435)	5,017,729	(700,724)	(326,291)
Change in net deferred income					
Tax	(9,513,074)	1,781,319	(39,366,513)	668,813	43,305,322
Change in non-admitted assets	20,594,912	(700,265)	14,214,018	(4,064,186)	(32,435,300)
Capital changes:					
Paid in	(1,120)	(7,597)	(23,909)	(100,968)	(39,656)
Transferred from surplus (stock dividend)	1,517,407	1,473,446	1,430,841		1,393,618
Surplus adjustments:					
Paid in	(53,155)	(146,782)	(325,070)	(1,372,877)	(590,304)
Transferred to capital (stock dividend)	(1,517,407)	(1,473,446)	(1,430,841)		(1,393,618)
Aggregate write-ins for gains and losses in surplus					20,176,251
Net change in capital and surplus for the year	131,047,511	107,975,883	123,511,691	19,416,472	(127,777,834)
Capital and surplus December 31, current year	<u>\$874,474,357</u>	<u>\$743,426,846</u>	<u>\$635,450,963</u>	<u>\$511,939,272</u>	<u>\$492,522,800</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as a result of this examination.

SUMMARY SCHEDULE FOR CHANGES IN CAPITAL AND SURPLUS

There were no adjustments to capital and surplus as of December 31, 2015, based on the results of this examination.

COMMENTS AND RECOMMENDATIONS

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

Comments

None.

Recommendations

None.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in connection with the verification and valuation of assets and the determination of liabilities of Tennessee Farmers Assurance Company.

In such manner, it was found that as of December 31, 2015, the Company had admitted assets of \$1,302,544,730 and liabilities, exclusive of capital and surplus, of \$428,070,373. Thus, there existed for the additional protection of the policyholders, the amount of \$874,474,357 in the form of common capital stock of \$52,073,150, gross paid in and contributed surplus of \$25,506,337, and unassigned funds of \$796,894,870. Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum capital of \$1,000,000 and minimum surplus of \$1,000,000. Therefore, the Company as of December 31, 2015, for this examination maintains capital and surplus in excess of the amounts required pursuant to Tenn. Code Ann. §§ 56-2-114 and 56-2-115.

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, Daniel Clements, CPA, and Jonathan Habart, CPA, Insurance Examiners for the state of Tennessee, and Eric Dercher, CFE, Vitaliy Kyryk, CFE, Carol Riley, AES, CISA, and Stefan Obereichholz-Bangert, CISA, Insurance Examiners with the firm Noble Consulting Services, Inc., Indianapolis, Indiana, representing the state of Tennessee, participated in the work of this examination. An actuarial review was performed by Michael Mayberry, FSA, MAAA, and Greg Wilson, FCAS, FSA, MAAA, of the actuarial firm Lewis & Ellis, Inc., Richardson, Texas.


Respectfully submitted,



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

AFFIDAVIT

The undersigned deposes and says that she has duly executed the attached examination report of Tennessee Farmers Assurance Company, located in Columbia, Tennessee, dated June 2, 2017, and made as of December 31, 2015, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says she is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of her knowledge, information and belief.

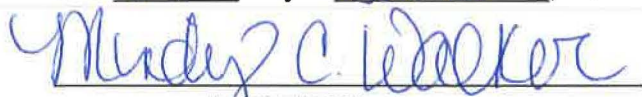

Rhonda Bowling-Black, CFE, ARe, MCM
Examiner-in-Charge
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 19th day of June, 2017


(NOTARY)



My Commission Expires: 7-6-2020

EXHIBIT B



Auto • Home • Life

**Tennessee Farmers
Insurance Companies**

Corporate Headquarters

Post Office Box 307

Columbia, TN 38402-0307

931.388.7872 • www.fbitn.com

June 20, 2017

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 – Tennessee Farmers Assurance Company

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for **Tennessee Farmers Assurance Company**. By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Pannell", written in a cursive style.

Jeff Pannell
Chief Executive Officer
Tennessee Farmers Insurance Companies