EXHIBIT A

STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

UNITED STATES LETTER CARRIERS MUTUAL BENEFIT ASSOCIATION

(NAIC # 56456)

NASHVILLE, TENNESSEE

AS OF

DECEMBER 31, 2014

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Washington, D.C.
April 29, 2016

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 the Tenn. Code Ann. § 56-25-1604, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope financial examination and market conduct review as of December 31, 2014, has been made of the conditions and affairs of:

UNITED STATES LETTER CARRIERS MUTUAL BENEFIT ASSOCIATION
NAIC # 56456
150 Third Avenue
Nashville, Tennessee 37201

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

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI). The examination commenced on November 16, 2015, and was conducted by duly authorized representatives of the TDCI. This examination was called through the NAIC's Financial Examination Electronic Tracking System (FEETS). The Company is a fraternal association organized under a general welfare charter issued to the National Association of Letter Carriers of the United States of America (NALC). There were no requests from other states for a coordinated examination.

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2009. This examination covers the period January 1, 2010, through December 31, 2014, and includes any material transactions and/or events occurring subsequent to the examination date, which were noted during the course of 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, 2014. 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 considered to determine which key activities and accounts would be examined. The key activities included: Investments; Premiums/Underwriting; Claims; Reserving; Related Party; and Capital and Surplus.

The Company's 2014 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 controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A separate market conduct review was also performed concurrently with the financial examination.

The Company does not maintain an Internal Audit (IA) Department. Internal controls are not documented or tested. As such, a substantive testing approach of the Company's accounts and records was used for this examination.

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

Bond Beebe, Bethesda, Maryland, was the Certified Public Accountant (CPA) and independent auditor for the Company for all years under examination. The workpapers of the CPA were reviewed for the 2014 audit and copies were incorporated into the examination, as deemed appropriate. Bond Beebe also applied a substantive approach to their audit.

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 January 19, 2011, which covered the period from January 1, 2005, through December 31, 2009. The previous full-scope examination report as of December 31, 2009, contained five (5) comments. The Company addressed four (4) of the prior exam comments during the course of the previous examination. Below is a description of the prior examination report's comments:

Comments:

1. The Company's custodial agreement with Regions Bank did not include all required provisions of Tenn. Comp. R. & Regs. 0780-01-46-.03(2)(a)(1) & (3). The agreement was amended during that examination and determined to be in compliance.

2. The Company's Securities Lending Agreement omitted two (2) provisions required by Tenn. Code Ann. §§ 56-3-303(a)(18)(A) and 56-3-303(a)(18)(C)(i). The agreement was amended during the examination and determined to be in compliance.

3. The Company had no Anti-Fraud Plan as required by Tenn. Code Ann. § 56-53-111. During the examination, the Company prepared and adopted a plan, and was determined to be in compliance.

4. The previous examination report contained a finding that not all claim forms contained the fraud statement as required by Tenn. Code Ann. § 56-53-111(b). However, only one (1) claim form was determined to not contain the fraud statement. The form in question was amended during the examination and determined to be in compliance.

5. The Company reported a money market account as a short-term investment and showing a maturity date of December 31, 2012. As a deposit account, it should have been reported as cash.

   No similar issue was identified during the current examination.

The previous report contained one (1) recommendation, as follows:

Recommendation:

1. The Company provided no evidence that the Board of Trustees meetings were being held at least quarterly as required by statute. It was recommended that the Company comply with Tenn. Code Ann. § 56-25-1103(1)(B) by holding meetings of trustees no less than quarterly.

   The current examination determined the MBA met quarterly in compliance with the statute.

COMPANY HISTORY

The Company was organized in the State of Tennessee on February 26, 1892, under powers conferred by a general welfare charter issued to the NALC. This Charter provided for the establishment and operation of an insurance fraternal benefit corporation.

The Company is a fraternal association authorized to transact the business of fraternal life, health and accident insurance under the laws of the State of Tennessee in Title 56, Chapter 25. The Company exists to provide life insurance, annuity, and health coverage to members of the NALC and their families. The NALC is a national union representing letter carriers and other non-supervisory personnel of the United States Postal Service.

On December 4, 1905, the Charter was amended to permit the writing of sick benefit coverage, known as the United States Letter Carriers National Sick Benefit Association (NSBA). Effective July 1, 1955, the Company's authority was expanded to permit the writing of accident and health coverage, including hospitalization. At the same time, the outstanding certificates of the NSBA and its future operations were assumed by the Company, along with the NALC hospitalization plan ("HBP"). Accordingly, the NALC agreed to protect the Company against any future losses it sustained by reason of this assumption. The operations of the NSBA and HBP continued on an autonomous basis as a department of the Company until September 9, 1960, at which time the President of the NALC transferred the direction of the NSBA to the Trustees of the Company. The HBP became a distinct and separate autonomous operation governed exclusively by federal law and outside the control or jurisdiction of the Company.

Effective March 31, 1983, an amended Charter of the Company specified that the purposes of the fraternal are limited to insurance business, exclusive of all group accident and health insurance provided by the HBP. After March 31, 1983, all claims and similar HBP liabilities became the responsibility of the NALC.

All operations are performed at the Company's main administrative office in Washington, D.C.

MANAGEMENT AND CONTROL

MANAGEMENT

Trustees

The Company is a department of the NALC. The NALC is a labor union organization with the objective of uniting fraternally all letter carriers and other employees of the Postal Career Service for their mutual benefit. Members of the NALC are affiliated with a branch and state association. The members of the NALC (represented by delegates to the biennial convention) elect a Board of Trustees ("Board"), President, and a Director of Life Insurance to manage the business and affairs of the Company.

The Company's Board consisted of the following individuals, as of December 31, 2014:

Name	Principal Occupation
Lawrence Davis Brown, Jr. – Chairman	Trustee - NALC
Michael John Gill	Trustee - NALC
Randall Laverne Keller	Trustee - NALC

Officers

The Officers of the Company, as of December 31, 2014, are as follows:

Name	Title
Fredric Vincent Rolando	President
Myra Warren	Secretary/Director of Life Insurance

The Company's Constitution calls for a Board of Investment to direct the investments in securities. The Board of Investment is made of the Board, the President of the NALC, and Director of Life Insurance.

CONTROL

The Company is a fraternal benefit association established and operated by the NALC.

CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

The Company established a Code of Conduct ("Code") requiring annual certification by all Trustees and Officers affirming to their understanding of, and compliance with the Code and disclosure of any known or suspected violations or changes in affiliations. The Code requires the disclosure of actual or apparent conflicts of interest. The Trustees and Officers signed certifications for each year under examination. Based on review of the signed certifications, no Trustee or Officer was determined to have pecuniary interest in the investment or disposition of MBA funds, in accordance with Tenn. Code Ann. § 56-3-103.

CORPORATE RECORDS

The minutes of meetings of the Board were reviewed for the period under examination. They were complete as to necessary detail and appear to adequately reflect the acts of the Board.

Charter

The Charter, dated February 25, 1892, was granted for the general welfare of society, and not for individual profit. The purposes for which the corporation is organized are:

a) To carry on business as a fraternal benefit corporation;
b) To engage in and write any or all branches of insurance for which the Company is authorized; including, but not limited to, individual life and annuity insurance, sick benefit coverage and individual accident and health policies providing supplementary income to hospitalized and/or disabled members; and
c) To establish Branches and to exercise all powers necessary to operate such business.

In addition to the preceding, the Charter recites other general and specific powers in detail, which are usual in nature and consistent with statute. There were no amendments to the Charter during the period under examination.

Constitution and General Laws

The Constitution establishes the objectives of the Company, the administration rules which regulate the business and affairs of the Company, and which govern the conduct and duties of its Trustees and Officers. The General Laws of the Company establish qualifications for membership and describe the duties of the Chief Medical Examiner, Company Representatives, and Members. Additionally, the General Laws describe the plans of insurance and payment of benefits.

The Constitution and General Laws may only be amended by majority vote of the entire membership present at the regular session of the national convention. There were two (2) amendments to the Constitution and General Laws during the period under examination, which expanded the qualifications of applicants for membership to include the step-child, step-grandchild, step-great grandchild, parent or legal guardian (up to the age of 80) of a member of the NALC.

AGREEMENTS WITH PARENT, SUBSIDIARIES, AND AFFILIATES

The Company had two (2) agreements with NALC in effect as of December 31, 2014. The following are summaries of the agreements in effect:

Lease Agreement

The Company had a Lease Agreement with NALC for the Company's administrative office in Washington, D.C. Under this agreement, the MBA pays approximately $19,000 per month to NALC for rentable space and storage space.

Administrative Services and Cost Sharing Agreement

The Company had an Administrative Services and Cost Sharing Agreement with NALC, effective January 1, 2013. Under this agreement, NALC provides human resources and payroll services to the MBA. In 2015, the MBA paid $5,975 to NALC per quarter for services provided under this agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains a fidelity bond which meets the minimum amount suggested by the NAIC Handbook of $700,000.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company contributes to the NALC Annuity Trust Fund ("Plan"), a multi-employer defined-benefit pension plan established by the NALC. The Plan is a noncontributory plan that covers substantially all permanent, full-time employees of the Company. In addition to life, health, vision, and dental benefits, the Company currently provides certain health care benefits for retired employees. Substantially all of the Company's employees, except officers, may become eligible for these benefits when they become eligible for retirement while working for the Company. The benefits are provided through the NALC's Health Benefit Plan for Employees and Staff. The cost of postretirement benefits has been actuarially determined and accrued over the working lives of employees expected to receive benefits.

TERRITORY AND PLAN OF OPERATION

TERRITORY

As of December 31, 2014, the Company collects premiums in fifty-four (54) states and territories. The Company was licensed to transact business in the following states:

California	Minnesota	South Carolina	Utah
Colorado	Mississippi	South Dakota	Wisconsin
Florida	New Mexico	Tennessee	District of Columbia
Kansas	Oregon	Texas	

The Certificates of Authority for each jurisdiction were 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

State	Life Insurance Premiums	Annuity Considerations	Accident & Health Insurance Premiums	Total
Alabama	$ 25,821	$ 28,833	$ 22,954	$ 77,608
Alaska	3,242	55,375	2,798	61,415
Arizona	29,530	128,281	28,683	186,494
Arkansas	10,044	25,655	4,356	40,055
California	156,146	1,054,034	320,101	1,530,281
Colorado	23,748	89,602	9,399	122,749
Connecticut	30,272	173,577	43,910	247,759
Delaware	5,743	22,114	9,499	37,356
District of Columbia	598,939	12,411	3,142	614,492
Florida	147,076	1,098,401	146,308	1,391,785
Georgia	52,124	78,955	45,765	176,844
Hawaii	14,617	124,000	4,748	143,365
Idaho	6,062	2,980	1,797	10,839
Illinois	111,376	379,710	97,231	588,317
Indiana	45,371	192,745	31,015	269,131
Iowa	7,502	50,041	6,037	63,580
Kansas	14,453	37,054	10,994	62,501
Kentucky	15,451	24,124	9,983	49,558
Louisiana	32,685	64,803	28,691	126,179
Maine	4,900	35,615	8,623	49,138
Maryland	62,683	236,720	56,633	356,036
Massachusetts	62,575	380,077	93,611	536,263
Michigan	57,261	219,949	154,160	431,370
Minnesota	10,465	277,421	13,193	301,079
Mississippi	12,727	184,787	11,214	208,728
Missouri	42,256	89,211	16,495	147,962
Montana	3,321	57,986	1,172	62,479
Nebraska	9,249	39,767	4,866	53,882
Nevada	20,286	63,181	12,863	96,330
New Hampshire	8,957	25,001	22,637	56,595
New Jersey	121,090	528,005	158,016	807,111
New Mexico	9,959	21,666	10,537	42,162
New York	196,564	970,247	210,632	1,377,443
North Carolina	43,493	69,736	34,862	148,091
North Dakota	662	10,665	1,726	13,053
Ohio	99,234	235,720	56,289	391,243
Oklahoma	11,654	53,267	4,587	69,508
Oregon	8,265	105,817	10,294	124,376
Pennyslvania	144,200	463,942	149,316	757,458
Rhode Island	9,475	116,510	15,399	141,384
South Carilina	25,750	34,944	10,025	70,719
South Dakota	1,772	71,035	1,021	73,828
Tennessee	210,764	40,135	9,154	260,053
Texas	128,014	783,853	165,997	1,077,864
Utah	5,585	15,606	3,948	25,139
Vermont	644	8,450	662	9,756
Virginia	53,073	78,978	23,575	155,626
Washington	17,247	416,360	14,286	447,893
West Virginia	13,962	21,622	4,067	39,651
Wisconsin	32,457	135,244	27,105	194,806
Wyoming	4,101	18,383	1,390	23,874
Guam	916			916
Puerto Rico	2,540	14,730	1,742	19,012
US Virgin Islands		1,300	917	2,217
Totals	$ 2,766,303	$ 9,468,625	$ 2,138,425	$ 14,373,353

PLAN OF OPERATION

The Company offers life, accident and health, and annuity products. On any one life, the minimum insurance issued is $1,000 and the maximum is $100,000. The Company has no insurance agents. Insurance solicitation is accomplished through the NALC's magazine, "The Postal Record." This direct response marketing is supplemented with promotional materials provided by MBA to the Union branches, and by the MBA representatives who serve each branch.

Applicants for insurance coverage must be a letter carrier or other non-supervisory employee of the Postal Carrier Service who is a member in good standing of the NALC, or the spouse, child, step-child, grandchild, step-grandchild, great-grandchild, step-great-grandchild, parent or legal guardian (up to the age of 80) of a member of the NALC. Employees of the NALC and its subsidiaries, their spouses, and children are also eligible applicants. The MBA utilizes the services of a Medical Consultant to review applications and claims in certain instances. At December 31, 2014, there were eleven thousand, seven hundred fifty-six (11,756) policies in-force.

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:

Year	Admitted Assets	Liabilities	Capital and Surplus	Net Underwriting Gain
2014	$234,166,862	$204,448,174	$29,718,668	$ (584,275)
2013	$223,632,127	$194,685,372	$28,946,755	$ 544,495
2012	$210,592,899	$185,786,448	$24,806,451	$ 927,526
2011	$200,260,016	$178,010,049	$22,249,967	$ 1,130,499
2010	$194,582,891	$173,174,961	$21,407,930	$ 52,771

According to management, as a not-for-profit entity, it is the goal of the MBA to have break even net income each year. During planning for the upcoming year, management works with their actuarial consultants to set rates with the goal of achieving break even profitability.

LOSS EXPERIENCE

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

Year	Life Premiums	Death Benefits	Loss Ratio	Accident and Health Premiums	Disability Benefits	Loss Ratio
2014	$ 3,074,945	$1,541,475	50%	$ 2,138,739	$ 2,107,549	99%
2013	$ 2,996,178	$1,150,112	38%	$ 2,424,040	$ 2,261,161	93%
2012	$ 3,096,406	$1,239,015	40%	$ 2,705,018	$ 2,542,757	94%
2011	$ 3,223,514	$1,161,122	36%	$ 2,963,294	$ 2,798,329	94%
2010	$ 3,289,774	$1,259,055	38%	$ 3,265,348	$ 3,152,171	97%

LITIGATION AND CONTINGENT LIABILITIES

During the period of examination, and as of December 31, 2014, the Company is a party to various pending legal proceedings arising in the ordinary course of business. Company management believes that contingent liabilities arising from litigation 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 jurisdictions or custodians named below as of December 31, 2014.

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value (Dollars)
South Carolina - Department of Insurance	US TREASURY NOTE 0.2375%, Due 3-31-2016 CUSIP# 912828KY6	$ 150,000	$ 150,000	$150,000
Tennessee - Department of Insurance	US TREASURY NOTE 0.375%, Due 3-15-2016 CUSIP# 912828US7	399,604	400,000	400,000
Total		**$ 549,604**	**$ 550,000**	**$550,000**

The deposits listed above are held for the benefit of all policyholders, claimants, and creditors of the Company. 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), 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 is audited annually by Bond Beebe, Bethesda, Maryland and 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. Immaterial differences were noted in the Company's financial statements attributable to rounding. 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. These test checks and reviews revealed no material discrepancies.

The Company's books and records are located in Washington, D.C.

ACTUARIAL REVIEW

The TDCI contracted with the independent actuarial firm of Lewis & Ellis, Inc., Richardson, Texas ("Lewis & Ellis"), to assist with this examination. Lewis & Ellis was retained to review the actuarial assumptions and methodologies of the actuarial liabilities established by the Company. They concluded that the methods used are appropriate and that the established actuarial liabilities as of December 31, 2014, are adequate.

MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company, as of December 31, 2014, in conjunction with this examination.

The following market conduct areas were reviewed:

Policy Forms and Rates

All policy forms have been submitted and approved in accordance with Tenn. Code Ann. § 56-25-1404. The Company is exempt from filing rates.

Advertising

The Company's print advertising was reviewed and no exceptions were noted. In addition, the NALC maintains a website where Company product descriptions and forms can be found. The advertising complies with Tenn. Comp. R. & Regs. 0780-01-08 and 0780-01-33.

Claims Review

A sample of open and closed claim files were reviewed during the examination to determine whether claims were being paid in accordance with policy provisions, and that settlements were made promptly upon receipt of proper evidence of the Company's liability.

Examination test work identified certain denied claims for overnight hospital stays. For these claims, the patient's status was not changed from "observation" to "admitted," which, per the Company, is the reason for the denials. Management changed its policy in late 2014 and began paying these claims. See "Comments and Recommendations" section, later in this report.

No exceptions were identified regarding prompt settlements upon receipt of proper evidence of the Company's liability.

Policyholder Complaints

The Consumer Insurance Services Section of the TDCI indicated no concerns or complaints with the Company during the period under examination. The Company maintains a complaint register as required by Tenn. Code Ann. § 56-8-104 (11), but has recorded no complaints during the period under examination.

SUBSEQUENT EVENTS

No events occurring subsequent to December 31, 2014, through the date of the report were identified that merit recognition or disclosure in this report.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of revenue and expenses as of December 31, 2014, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2014 Annual Statement.

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$199,919,990	-	$ 199,919,990
Common Stocks	21,053,570	-	21,053,570
Cash and short-term investments	1,995,514	-	1,995,514
Contract Loans	4,194,950	-	4,194,950
Securities Lending Reinvested Collateral Assets	4,548,518	19,235	4,529,283
Investment income due and accrued	2,338,095	-	2,338,095
Uncollected premiums and agents' balances in course of collection	13,578	-	13,578
Electronic data processing equipment and software	209,942	88,060	121,882
Furniture and equipment	183,200	183,200	-
Aggregate write-ins for other than invested assets	7,483	7,483	-
Totals	$234,464,840	$ 297,978	$ 234,166,862

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate resreve for life contracts		$ 172,267,544
Aggregate reserve for accident and health contracts		10,766,998
Liability for deposit-type contracts		2,407,578
Contract claims:		
Life		541,095
Accident and health		235,853
Refunds apportioned for payment		695,531
accident and health contracts received in advance		158,304
Interest maintenance reserve		2,695,017
General expenses due and accrued		494,661
Taxes, licenses and fees due or accrued		27,329
Amounts withheld as agent of Society or trustee		23,257
Remittances and items not allocated		191,549
Asset valuation reserve		5,234,421
Payable securities lending		5,053,823
Aggregate write-ins for liabilities		3,655,214
Total Liabilities		204,448,174
Aggregate write-ins for surplus funds	$ 350,000	
Unassigned funds (surplus)	29,368,688	
Total Surplus		29,718,688
Totals		$ 234,166,862

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and and accident and health contracts	$14,682,309
Considerations for supplementary contracts with life contingencies	2,987,491
Net investment income	9,172,192
Amortization of interest maintenance reserve	686,520
Miscellaeous income	2,536
Totals	27,531,048
Death benefits	1,541,475
Annuity benefits	9,418,840
Disability benefits and beenefits under accident and health contracts	2,131,994
Surrender benefits and withdrawals for life contracts	1,851,371
Interest and adjustments on contract or deposti-type contracts funds	100,847
Payments on supplementary contracts with life contingencies	1,273,928
Increase in aggregate reserve for life and accident and health contracts	6,880,325
Totals	23,198,780
General insurance expenses and fraternal expenses	3,756,619
Insurance taxes, licenses and fees	149,601
Increase in loading on deferred and uncollected premiums	62
Aggegate write-ins for deductions	340,056
Totals	27,445,118
Net gain from operations before refunds to members and realized capital gains (losses)	85,930
Refunds to members	670,207
Net gain from operations after refunds to members and before realized capital gains	(584,277)
Net realized capital gains	5,160,445
Net income (loss)	$ 4,576,168

SURPLUS ACCOUNT

	2014	2013	2012	2011	2010
Surplus December 31, previous year	$28,946,755	$24,033,894	$22,249,966	$21,407,930	$19,998,085
Net income (loss)	4,576,168	832,391	773,838	880,307	(111,926)
Change in net unrealized capital gains (losses)	(2,965,607)	4,474,474	2,372,547	423,232	2,270,950
Change in nonadmitted assets	(81,185)	9,932	18,391	(245,116)	4,542
Change in asset valuation reserve	(601,015)	(828,275)	(9,920)	165,243	(397,400)
Aggregate write-in for gain and losses in surplus	(156,428)	424,339	(1,370,929)	(381,630)	(356,321)
Net change in surplus	771,933	4,912,861	1,783,927	842,036	1,409,845
Surplus December 31, current year	$29,718,688	$28,946,755	$24,033,893	$22,249,966	$21,407,930

COMMENTS AND RECOMMENDATIONS

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

Comments

None

Recommendations

1. Claims test work identified denied claims for overnight hospital stays. For these claims, the patient's status was not changed from "observation" to "admitted," which, per the Company, is the reason for the denials. Management changed its policy in late 2014 and began paying these claims.

   At the time of this report, the Company is investigating denied claims to identify claims denied for overnight hospital stays for re-adjudication and payment.

   It is recommended the Company complete its investigation and re-adjudicate and pay the previously denied claims.

CONCLUSION

The customary 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 United States Letter Carriers Mutual Benefit Association.

In such manner, it was found that as of December 31, 2014, the Company had admitted assets of $234,166,862 and liabilities, exclusive of capital and surplus, of $204,448,174. Thus, there existed for the additional protection of the policyholders, the amount of $29,718,688 in the form of contributed surplus of $350,000 and unassigned funds of $29,368,688.

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, Bryant Cummings, CFE and Rhonda Bowling-Black, CFE, Insurance Examiners for the State of Tennessee, and Ryan Havick, CFE, Emilie Brady, CFE, Michael Nadeau, CFE, AES, and Jim Williams, CFE Insurance Examiners with the firm Eide Bailly LLP, Fargo, North Dakota, representing the State of Tennessee, participated in the work of this examination. An actuarial review was performed by Mike Mayberry, FCAS, MAAA, of the actuarial firm Lewis & Ellis, Inc., Richardson, Texas.

Respectfully submitted,

James Menck, CFE
Examiner-in-Charge
Eide Bailly LLP representing
The State of Tennessee

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of United States Letter Carriers Mutual Benefit Association located in Washington, D.C., dated April 29, 2016, and made as of December 31, 2014, 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.

James Menck, CFE
Examiner-in-Charge
Eide Bailly LLP, representing
The State of Tennessee

State Texas

County Tarrant

Subscribed to and sworn before me

this 18th day of June, 2016

(NOTARY)

My Commission Expires: 10/30/18

SABRINA E. MENCK
Notary Public, State of Texas
My Commission Expires
October 30, 2018

NOTARY PUBLIC
STATE OF TEXAS

EXHIBIT B

United States Letter Carriers

MBA

Mutual Benefit Association

NALC Building, Suite 510 • 100 Indiana Avenue, N.W. • Washington, D.C. 20001-2144 • (202) 638-4318

June 20, 2016

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

Re: United States Letter Carriers Mutual Benefit Association
Report of Examination

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for United States Letter Carriers Mutual Benefit Association. By signing below, we indicate acceptance of the report as transmitted, and without rebuttal.

Sincerely,

Myra Warren

Myra Warren, Director