STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

ASSOCIATED BUILDERS & CONTRACTORS OF TENNESSEE WORKERS' COMPENSATION SELF-INSURANCE FUND

NASHVILLE, TENNESSEE

AS OF

MARCH 31, 2014

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Nashville, Tennessee
November 3, 2015

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

Dear Commissioner:

Pursuant to your instructions and in accordance with Tennessee Insurance Laws, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a financial examination and market conduct review was made of the condition and affairs of the

ASSOCIATED BUILDERS & CONTRACTORS OF TENNESSEE
WORKERS' COMPENSATION SELF-INSURANCE FUND
1604 Elm Hill Pike
Nashville, Tennessee 37210

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

INTRODUCTION

This examination was called by the Tennessee Department of Commerce and Insurance (TDCI) on April 21, 2015, in accordance with Tenn. Code Ann. § 50-6-405, 56-1-408 and Tenn. Comp. R. & Regs. 0780-01-54-.20. On-site examination work commenced on August 6, 2015. The examination was performed by a duly authorized representative of the (TDCI).

SCOPE OF EXAMINATION

The Fund's fiscal year runs from April 1 through March 31. This examination report covers the period from April 1, 2009, to the close of business on March 31, 2014, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was planned and procedures performed to evaluate the financial condition of the Fund. However, as a result of the Fund's agreement with AmFed National Insurance

Company, subsequent to the date of examination, certain procedures contained in the NAIC Financial Condition Examiners Handbook were not performed or deemed necessary for this examination. Specifically, inherent risks were not identified and internal controls used to mitigate those risks were not assessed. (See the "Subsequent Events Section" later in this report).

During the course of the examination, all asset and liability items contained in the financial statements of this report were examined and verified with relative emphasis according to their amount and potential impact on solvency. Test checks were made of income and disbursement items for selected periods, and a general review was made of the Fund's compliance with applicable statutes and regulations. The examination included a review of the March 31, 2014, fiscal year-end audit workpapers prepared by the Fund's independent auditor, Frasier, Dean & Howard, PLLC (FDH). The audited financial statements were reconciled to their corresponding general ledger account balances. In addition, the examination included tests to provide reasonable assurance that the Fund was in compliance with applicable laws, rules and regulations.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The previous examination of the Fund was made as of March 31, 2009. The prior Report of Examination was dated September 7, 2010, and covered the period from April 1, 2004, through March 31, 2009. The Commissioner issued one (1) directive, as set forth in the June 6, 2011, "Order Adopting Examination Report With Directive No. 11-054." A summary of the directive and the corrective action taken by the Fund is discussed below:

Directive

The Fund was directed to comply with Tenn. Comp. R. & Regs. 0780-01-54.05 by ensuring that any amendments to the organizational documents or written contracts required to be provided to the Commissioner by Tenn. Comp. R. & Regs. 0780-01-54-.04 are filed with the Commissioner no later than thirty (30) days prior to the proposed effective date of the amendments, along with a non-refundable filing fee of ninety dollars ($90.00).

Corrective Action

During the current period of examination, the Fund entered into two (2) agreements that were required to be filed with the Commissioner no later than thirty (30) days prior to the proposed effective date. One (1) of these agreements was submitted to the Commissioner after the effective date. The other agreement was not filed with TDCI. This issue is further noted in the "Comments and Recommendations" section of this examination report.

COMPANY HISTORY

The Fund's sponsoring association, the Tennessee Chapter of Associated Builders and Contractors, Inc. ("ABC of Tennessee"), is a Tennessee non-profit trade association of licensed builders, suppliers, and service companies associated with the building industry, which was organized under the laws of the State of Tennessee and chartered on May 6, 1971. ABC of Tennessee was originally incorporated as the Middle Tennessee Chapter, ABC. Today, ABC of Tennessee is composed of three (3) regional Chapters: West, Middle and East.

On September 12, 1994, the Fund was created by members of ABC of Tennessee to act as a self-insured workers' compensation pool in accordance with Tenn. Code Ann. § 50-6-405(c)(1). A certificate of approval was issued to the Fund by the TDCI on January 4, 1995, with an effective date of January 1, 1995, authorizing the Fund to operate as a self-insured workers' compensation pool. The operation of the Fund is confined to the State of Tennessee, where it is licensed to transact the business of workers' compensation and employers' liability group self-insurance. Membership in the Fund is composed of qualifying members of ABC of Tennessee that have pooled their liabilities in accordance with the Tennessee Workers' Compensation Act.

The Fund began operations on January 1, 1995, with contributions from the initial members equal to twenty-five percent (25%) of their first-year estimated annual net premium for workers' compensation coverage, in accordance with Tenn. Comp. R. & Regs. Ch. 0780-01-54-.04.

TRUST AGREEMENT AND DECLARATION OF TRUST AND BYLAWS

The Fund was created through the adoption of the Declaration of Trust and Bylaws ("Bylaws") which was executed on September 12, 1994, and formally approved by the TDCI, effective November 3, 1994. The Fund was formed to act as a workers' compensation self-insurance pool as defined by Tenn. Comp. R. & Regs. 0780-01-54-.02(17) and as authorized by Tenn. Code Ann. § 50-6-405. The Fund was established "as a collective fund to provide monies for payment of claims filed against the members under the Tennessee Workers' Compensation Law."

The Fund was formed in accordance with Tenn. Code Ann. § 50-6-405(c) for the benefit of its member owners. The term "member" includes those individuals, corporations, and partnerships or other legal entities executing, or otherwise being bound by the Indemnity Agreement and Power of Attorney, which are members in good standing of ABC of Tennessee, and which contribute to the Fund as a participating member in the Fund.

At the Annual Meeting of the members on October 29, 2009, the Bylaws were amended to revise language concerning retired Trustees and termination of membership.

Also, at the Annual Meeting of the members on October 24, 2012, the Bylaws were amended to revise language concerning retired Trustees, Trustee attendance at duly called meetings, the administrator fee, and termination of membership.

INDEMNITY AGREEMENT AND POWER OF ATTORNEY

In accordance with Tenn. Comp. R. & Regs. 0780-01-54-.04(2)(e)(2), each member is required to execute and be bound by an indemnity agreement and power of attorney as a condition of membership in the Fund. Significant terms to which each member agrees include the following:

- The members, jointly and severally, will pay any final award based upon a claim against any of them under the workers' compensation laws of the State of Tennessee, and the Fund will pay any assessments lawfully levied against it by the State of Tennessee;

- The members intend for this agreement to be a mutual covenant of assumption and not a partnership;

- The Board of Trustees (Board) will set up, operate, and enforce the administrative rules, regulations, and bylaws of the Fund;

- The Board may admit as members of the Fund only those who meet the criteria for membership established by the Board. Except as otherwise provided by the Regulations, the Board shall, subject to approval by the TDCI, be the sole judge of whether an applying entity shall be admitted to membership and the eligibility of an entity to remain a member;

- The Board will promulgate rules and regulations for administering the Fund, the expulsion of or suspension of members and, subject to the Regulations, the admission of members. Each member of the Fund agrees to abide by such rules and regulations; and

- Each member shall initiate and maintain a safety program to provide its employees safe and sanitary working conditions and shall follow the general recommendations of the Fund in this field to promote the general welfare of its employees.

MANAGEMENT AND CONTROL

Board of Trustees

The operation and administration of the Fund is the joint responsibility of a Board of Trustees (Board) consisting of not more than nine (9) nor less than five (5) individuals. Pursuant to Tenn. Comp. R. & Regs. 0780-01-54-.06(1), all Trustees are required to be residents of the State of Tennessee or officers of corporations authorized to do business in the State of Tennessee. All of the Trustees are required to be the designated representative of a member in good standing of the Fund. No affiliate of the administrator or the service agent shall serve as a Trustee. The Trustees shall include equal representation from each region of the Fund.

The Trustees shall be elected by the members of the Fund. Each Trustee shall serve for a term of three (3) years. A Trustee may resign and be fully discharged from all further duties or responsibilities by giving at least thirty (30) days prior written notice to the Chairman of the Board. A Trustee may be removed, with or without cause, by a majority vote of all Trustees. If a Trustee dies, becomes incapacitated, refuses to act, resigns or is removed, his successor shall be appointed by the remaining Trustees to fill the unexpired term of office. Such appointment is subject to confirmation by the members at their next regularly scheduled meeting.

Responsibilities of the Board as stated in the Bylaws include the following:

- The Board shall make, execute, acknowledge, and deliver any and all documents required to be made in connection with the settlement and defense of any claim; to deliver documents required by any insurer or reinsurer in connection with the issuance of any insurance policy, or in connection with the exercise of the rights of ownership of such policies; and to deliver all forms, returns, notices, transfers, conveyances and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

- The Board shall settle, compromise, or submit to arbitration any claims, debts, or damages due or owing to or from the Fund or arising in connection with any right, duty, or obligation hereunder, to commence or defend suits or legal or administrative proceedings, and to represent the Fund, the Administrator and the members in all suits and legal proceedings;

- The Board shall be responsible for all monies collected or disbursed by the Fund, shall have the power to invest monies in the Fund Account, and may engage a Fund Account fiduciary for that purpose;

- The Board shall receive applications for membership from prospective new members of the Fund and shall approve or disapprove such applications in accordance with underwriting guidelines and policies promulgated by the Trustees. Conversely, membership may be terminated by the Trustees pursuant to approved policies;

- Establish and assess any and all rates, premiums, contributions, and penalties under this Fund, as reviewed by the Fund Actuary and Administrator;

- The Trustees shall employ an Administrator, Service Agent, Fund Actuary, Fund Accountant and other agents and pay their reasonable expenses and compensation;

- The Trustees shall take all reasonable precautions to protect the members from losses and to enter into suitable excess insurance contracts to fully and adequately protect said members against excess losses; and

- The Trustees shall be responsible for and shall cause to be filed with the TDCI and elsewhere such annual or other periodic audits, reports, and disclosures as may be required from time to time by applicable federal or state statutes or governmental regulations.

Officers

Pursuant to the Fund's Bylaws, the Board shall elect officers from among its members to serve for terms of two (2) years. The officers of the Fund shall consist of a Chairman and a Vice-Chairman, and the Trustees may elect other officers if the need arises. It is noted, as of this examination date, that the Fund was in violation of its Bylaws because it did not elect a Vice-Chairman. This issue is further noted in the "Comments" section of this examination report.

As of March 31, 2014, the following persons were serving as members of the Board and officers of the Fund:

Name	Business/Occupation and Address
Jim Wakefield Chairman, Board of Trustees	Wakefield Corporation Knoxville, Tennessee
Susan Crawford	Dennis Electric, Inc. Bartlett, Tennessee
Dale Denny	John Bouchard & Sons Company Nashville, Tennessee
Ralph Harness	Joseph Construction Company, Inc. Knoxville, Tennessee

Rusty Linkous	Linkous Construction Company, Inc. Knoxville, Tennessee
Sheila Mathis	R. G. Anderson Company, Inc. Nashville, Tennessee
Vince Mazzola	Brooks & Mazzola Construction Company Collierville, Tennessee
Jeff Roth	Quality Machine & Welding Company, Inc. Knoxville, Tennessee
John Stallworth	Trades Unlimited, LLC Nashville, Tennessee

REFUNDS OR DISTRIBUTIONS

Pursuant to Tenn. Comp. R. & Regs. 0780-01-54.15(1), self-insured workers' compensation pools are allowed to provide refunds to the members of the pool when there is an excess amount of premium above what is necessary to fund all obligations for that fund year with the written approval of the Commissioner. The Board must declare the refund not less than eighteen (18) months after the end of the fund year, and if the refund is declared, ten percent (10%) of the refundable amount must be retained by the pool for an additional year to cover any obligations that may not yet have been reported.

Since the previous examination, the Fund had not approved any refunds to its members.

As of March 31, 2014, the Fund had approved the distribution of a total of $5,250,000 to its members since its inception.

CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

Tenn. Comp. R. & Regs. 0780-01-54.07(6) and (7) states:

(6) No administrator or its employees or the pool's board of trustees shall accept, or be the beneficiary of, either directly or remotely, any fee, brokerage, commission, gift or other consideration for or on account of any loan, deposit, sale payment, exchange, or reinsurance transaction made by or on behalf of such pool, or be pecuniarily interested in such purchase, sale, loan, either as borrower, principle, co-principle, agent or beneficiary, except that if a member, such person shall be entitled to all of the benefits accruing under the terms of the membership.

(7) No administrator or its employee(s) or the pool's board of trustees shall take or receive for their own use any fee, brokerage, commission, gift or other consideration of the pool except for reasonable compensation for services performed or sales or purchases made to or for the pool in accordance with the

terms of the administrator contract approved by the Commissioner. No administrator or its employees or the pool's board of trustees shall collect a commission for the procurement of excess insurance for the pool.

During the course of the examination, no instances of non-compliance with the Rule were found.

CORPORATE RECORDS

The Fund's Bylaws state that the members of the Board shall meet quarterly, or as often as required, at the principal office of the Fund, or at such other location as may be acceptable to the Trustees. Special meetings of the Trustees may be called at any time by the Chairman or any two (2) members of the Board. The members of the Fund shall meet annually at the offices of the Fund or at such other place and time as may be determined by the Board. During the period under examination, there were fifty-seven (57) regular and special meetings of the Board, and five (5) meetings of the members of the Fund. The minutes of the meetings were reviewed and appear to reflect properly the acts of the respective bodies. Membership requirements, powers and duties of Board members, and Fund members were verified to be in accordance with the Tenn. Comp. R. & Regs. 0780-01-54.

MANAGEMENT AGREEMENTS

ADMINISTRATOR AGREEMENT

During the period of examination, Ms. Sally Alston served as the Fund's administrator until February 2013, when the current administrator, Bobby (Bob) L. Pitts replaced Ms. Alston and entered into an administrator agreement with the Fund. Mr. Pitts' "Application to Serve as Administrator of Self-Insurance Group Pool" was filed with the TDIC and approved by the TDCI on February 12, 2013, and an administrator license was issued by the Commissioner the same day. Mr. Pitts continues to act as "Administrator" as defined within the meaning of Tenn. Comp. R. & Regs. 0780-01-54-.02(1).

On February 12, 2013, the Fund and Mr. Pitts executed an "Administrator Agreement", whereas the Fund desires to engage the administrator to carry out certain policies and perform day-to-day management of the Fund. The administrator shall also conduct such other activities as required by applicable state laws and regulations.

The Administrator's compensation is set by the Board and per the agreement, a fixed fee is paid monthly to the Administrator.

Either party may terminate the agreement with cause upon giving not less than ten (10) days written notice, and without cause upon giving not less than ninety (90) days written notice.

Specific delineated areas of authority include the following:

- Maintain in effect the certificate of approval issued to the Fund by the TDCI;
- Maintain the accounting books and records, prepare the financial statement, and arrange for an annual audit of the Fund by independent certified public accountants by working through the appointed service company;
- Prepare all reports furnished to the members through the appointed service company;
- Screen prospective members in accordance with the standards adopted by the Board of Trustees of the Fund, communicating with members on behalf of the Fund, and promoting the Fund to its members and other members of ABC of Tennessee;
- Provide all clerical, secretarial, and administrative support required by the Fund and the Board, including keeping minutes of all Board of Trustee and membership meetings as recorded by an individual appointed by the service company;
- Oversee the service company's duties of receiving premium payments from the members, depositing funds in the claims account to pay claims expenses and excess insurance, and depositing the balance in the administrative account established by the Fund;
- Administer and invest, in accordance with the criteria established by the Board, the claims fund and the administrative fund as handled by the Fund's investment firm;
- Negotiate and execute, with the approval of the Fund, agreements with service companies; and
- Direct the daily operations of the Fund in cooperation with the Service Agent to ensure operations are conducted in a sound business-like manner.

CLAIMS PROCESSING AGREEMENT

During the period of examination, the Fund had a Claims Service Contract with Alternative Service Concepts of Tennessee, LLC (ASC).

The agreement with ASC, in effect as of the date of this examination, was originally effective April 1, 2013, and remained in effect until April 1, 2014. The agreement automatically renews for a consecutive one (1) year term at the ending date, unless written notice of termination is provided by one party to the other party sixty (60) days prior to the ending date of the agreement.

The agreement stipulates that ASC will provide the following services:

- Claims services; and
- Accounting services.

Examples of claims services to be provided are:

- Service, review, investigate, adjust, process, and/or resist workers' compensation claims presented against the Fund;
- Establish claim reserves and provide continuous review and update as necessary;
- Prepare loss reports for Fund management; and
- Prepare, maintain, and file any and all records and reports that may be required by any state regulatory agencies in connection with ASC's handling of claims as instructed by the Fund.

Examples of accounting services to be provided:

- Provide financial statements to include the preparation and distribution of monthly balance sheets and income statements based on data provided by the underwriters and/or administrators; and reconcile the claims payment account;
- Assist independent auditors in their preparation of annual financial statements;
- Invoice members for premiums due based on worksheets provided by the service company;
- Pay vendor invoices upon approval by the Fund's administrator; and
- Reconcile bank accounts and investment accounts.

The Fund agrees to pay to ASC a service fee based on a percentage of the Fund's earned premium, subject to a minimum annual service fee.

SERVICE COMPANY AGREEMENT

During the period of examination the Fund had a Service Company Agreement with Willis Administrative Services Corporation d.b.a. Willis Pooling (Willis).

The agreement with Willis, in effect as of the date of this examination, was originally effective April 1, 2012, and remained in effect until April 1, 2013. The agreement automatically renews for future one (1) year terms at the ending date, unless written notice of termination is provided by one party to the other party one hundred twenty (120) days prior to the ending date of the agreement. The Fund agrees to pay to Willis a service fee based on a percentage of the Fund's earned premium.

The agreement stipulates that Willis will provide the following services:

- Administrative and data services including the preparation of premium calculations for members, preparation of various reports as required by the members, Trustees, NCCI, excess insurance carriers, or the TDCI;
- Marketing the Fund to prospective members (coverage written by independent licensed agents); and
- Assisting the Fund in obtaining insurance, excess and/or reinsurance.

CUSTODIAL AGREEMENT

The Fund was a party to an amended investment management agency agreement signed by SunTrust Bank on May 17, 2010 and by the Fund on May 18, 2010, which contained language compliant with Tenn. Comp. R. & Regs. 0780-01-46 (effective July 12, 2005). Subsequently, the Fund and Pinnacle Bank of Nashville, Tennessee, executed an "Investment Management Agreement". The new agreement signed by the bank and the Fund on August 6, 2013, did not exhibit language compliant with Tenn. Comp. R. & Regs. 0780-01-46 (effective May 26, 2013), governing an investment custodian. This issue is further noted in the "Comments and Recommendations" section of this examination report.

RELATED PARTY SERVICES

Since the Fund's inception, no formal written agreement has been consummated between ABC of Tennessee and the Fund indicating services provided and reimbursement formulas. In the past, the Board had periodically made contributions to ABC of Tennessee because of its assistance in promoting the Fund to its members and its monitoring of workers' compensation issues and other matters relevant to the operation of the Fund. During the period of examination, the Fund made no contributions to its sponsoring association, ABC of Tennessee.

LOSS CONTROL SERVICES AGREEMENTS

Dating back to April 1, 2000, Fortier Loss Control Consultants, Inc. was the exclusive provider of loss control services for the Fund. On July 1, 2011, the Fund contracted with Pearson Safety Services, LLC (Pearson) and on April 1, 2012, the Fund contracted with Environmental Safety and Health, Inc. (ES&H) to provide loss control services. A summary of major provisions found within the Pearson and ES&H agreements follows:

Services to provide:

- Field safety inspection and loss control consultative services to members of the Fund; and
- Written inspection reports to members inspected with a copy furnished to the Administrator of the Fund.

Other key provisions:

- Holds, in a fiduciary capacity for the benefit of the Fund, all secret or confidential information, knowledge, or data relating to the Fund or the Fund members;
- Fund agrees to pay compensation in an amount equal to a percentage of each member's annual estimated premium divided by the average bill rate. Members are allocated loss control service hours based on a percentage of premium relative to all other members of the Fund; An allocation of four (4) hours is granted to all members, which equates to at least one (1) annual safety inspection; and
- Maintains errors and omissions and/or professional liability insurance policies providing protection to the Fund to cover loss by reason of negligence on the part of Fortier providing services pursuant to the agreement. The Fund shall be named as an additional insured on the policy, which shall be evidenced on the certificate of insurance to be delivered to the Fund.

FIDELITY BONDS AND OTHER INSURANCE

The Fund maintains a directors' and officers' liability policy with RSUI Indemnity Company with a $1,000,000 limit, which includes errors and omissions coverage. This policy's definition of "insured" includes the directors, officers and administrator. The policy complies with Tenn. Comp. R. & Regs. 0780-01-54-.04(2)(b)(5), which requires each applicant for a certificate of authority to have in place an errors and omissions policy, "for the board of trustees issued to protect the pool from damages, if any."

The Fund's sponsoring association, ABC of Tennessee, maintains a commercial crime policy with Travelers Casualty and Surety Company of America covering its employees with a $200,000 limit, which includes employee theft coverage. An endorsement was added to the policy which covers the Fund's Administrator.

The above referenced policies also comply with Tenn. Comp. R. & Regs. 0780-01-54-.07(3)(b) and (c) which exhibit the following requirements under the heading, "Administrators":

(b) Evidence that the applicant has obtained a fidelity bond in the amount of $200,000 written by a company licensed to transact business in this state, which may be obtained either by the administrator or the pool on the administrators' behalf; and

(c) Evidence that the applicant has obtained an errors and omissions insurance policy for the protection of the pool in the amount of $200,000 written by company licensed to transact business in this state, unless waived by the Commissioner upon a showing of proof that the applicant is unable to obtain such coverage.

Under its claims service contract with the Fund, ASC maintains certain insurance coverages. These include general liability, auto liability, workers' compensation, fidelity

bond, and errors and omission coverage. The various coverage types are issued by various companies under one certificate as follows:

- The commercial general liability policy is issued by Travelers Property Casualty Insurance Company of America with a $2,000,000 general aggregate limit and a $1,000,000 limit each occurrence;
- The auto liability policy is issued by Travelers Indemnity Company of America with a $1,000,000 combined single limit;
- The workers' compensation policy is issued by Travelers Commercial Casualty Company with statutory limits for workers' compensation and a $1,000,000 limit for employers' liability;
- The excess/umbrella policy is issued by Travelers Property Casualty Insurance Company with a $10,000,000 aggregate limit and a $10,000 retained limit per occurrence;
- The errors and omissions policy is issued by AIG Specialty Insurance Company with a $10,000,000 aggregate limit and $100,000 retention;
- The fidelity/crime policy is issued by Travelers Casualty and Surety Company with a $5,000,000 limit and $250,000 retention; and
- The cyber security and privacy liability policy is issued by National Union Fire Insurance Company of Pittsburgh, Pennsylvania with a $1,000,000 limit and $25,000 retention.

All of the above insurance companies are licensed in the State of Tennessee, with the exception of AIG Specialty Insurance Company which operates as surplus lines carrier pursuant to Tenn. Code Ann. Title 56, Chapter 14.

STATUTORY DEPOSITS

In compliance with Tenn. Comp. R. & Regs. 0780-01-54-.04(3)(e), the Fund maintained the following deposit as of March 31, 2014:

Description	Par Value	Statement Value
Kingsport TN Gen Obligation 2.0%, due 3/01/2016	$100,000	$102,307

As a result of a revision to Tenn. Comp. R. & Regs. 0780-01-54-.04(3)(e), effective March 16, 2009, at the request of the Fund the TDCI released a portion of the Fund's deposit totaling $400,000 par value in January, 2013.

EXCESS OF LOSS INSURANCE

In accordance with Tenn. Comp. R & Regs. 0780-01-54-.04(3)(c), the Fund had in effect, for the period April 1, 2013, to April 1, 2014, an excess of loss agreement for workers' compensation and employers' liability claims with Safety National Casualty Corporation. The agreement contains both specific and aggregate coverage.

Under the agreement's specific coverage, the excess insurer agrees to indemnify the Fund for the amount in excess of the Fund's $750,000 specific retention, plus a $250,000 corridor deductible for each accident or employee disease up to the statutory limit for workers' compensation and up to $2,000,000 for employers' liability.

The aggregate portion of the agreement limits the Fund's obligation for losses and claim expenses incurred during the 2013/2014 policy term to $3,661,340. Under the agreement's aggregate coverage, the excess insurer agrees to indemnify the Fund for the sum of losses and claims expenses in excess of the Fund's limitation subject to a limit of indemnity of $2,000,000.

A summarization by policy year for the period under examination is listed below:

Policy Year	Specific Retention	Aggregate Indemnity	Aggregate Retention	Insurer
4/01/2013-14	*$750,000	$2,000,000	$3,661,340	Safety National Casualty
4/01/2012-13	*$750,000	$2,000,000	$3,758,371	Midwest Employers Casualty
4/01/2011-12	$750,000	$2,000,000	$3,546,182	Midwest Employers Casualty
4/01/2010-11	$750,000	$2,000,000	$5,031,152	Midwest Employers Casualty
4/01/2009-10	$750,000	$2,000,000	$5,003,305	Midwest Employers Casualty

*One-time corridor deductible of $250,000 for a specific loss over $750,000 for policy periods 4/1/12-13 and 4/1/13-14

The policies provide coverage for losses sustained by the Fund as a result of injury by accident occurring during the policy period, or by disease caused or aggravated by exposure to conditions causing the disease occurring during the policy period. The policies have provisions for the continuation of coverage in the event of plan insolvency. The policies were written by companies authorized to do business in the State of Tennessee.

GROWTH OF FUND

The following exhibit depicts certain aspects of the growth and financial history of the Fund since the previous examination according to audited financial statements filed with the TDCI:

Policy Year Ending March 31	Earned Premiums	Total Reserves for Losses & LAE*	Assets	Liabilities	Members' Equity or Surplus Funds
2014	$2,078,861	$3,540,000	$7,017,793	$4,009,894	$3,007,899
2013	$1,826,510	$2,760,000	$6,871,234	$3,135,635	$3,735,599
2012	$1,916,570	$3,190,000	$7,187,602	$3,615,974	$3,571,628
2011	$2,251,629	$4,240,000	$7,893,254	$4,867,254	$3,026,000
2010	$2,447,447	$5,443,581	$8,303,997	$6,124,595	$2,179,402
2009	$3,475,623	$6,565,500	$9,231,951	$7,281,153	$1,950,438

The expected liability for unpaid losses and loss adjustment expenses increased from $2,760,000 as of March 31, 2013, to $4,260,000 as of March 31, 2015, as determined by the Fund's actuary.

* This represents the total reserves for losses and loss adjustment expenses for all policy years with open claims since the Fund's inception.

LOSS EXPERIENCE

Year	Premiums Earned	Incurred Losses & LAE	Underwriting Ratio	General & Adm. Expense	Gen. & Adm. Expense to Premium	Combined Ratio
2014	$2,078,861	$2,229,048	107.2%	$1,068,593	51.4%	158.6%
2013	$1,826,510	$714,900	39.1%	$1,016,109	55.6%	94.7%
2012	$1,916,570	$334,335	17.4%	$992,343	51.7%	69.2%
2011	$2,251,629	$450,702	20.0%	$1,120,256	49.7%	69.7%
2010	$2,447,447	$1,265,372	51.7%	$1,265,687	51.7%	103.4%

EXPERIENCE BY FUND YEAR

During the period of examination, additional development for deficit fund years was reported as follows:

DEFICIT FUND YEAR DEVELOPMENT BY FISCAL YEAR

Deficit Fund Year	March 31 2010	March 31 2011	March 31 2012	March 31 2013	March 31 2014
March 31, 2014					$858,177
March 31, 2013				$76,393	$10,468
March 31, 2012			$153,230	$77,302	
March 31, 2010	$325,591				
March 31, 2008		$241,796			$355,165
March 31, 2004	$7,879	$58,564	$15,966	$12,716	
March 31, 2003	$18,384	$31,577			
March 31, 2002	$48,132				
Dec. 31, 1997		$52,472			
Dec. 31, 1996		$1,635			
Total	$399,986	$386,044	$169,196	$166,411	$1,223,810

To cover the development from deficit fund years occurring in the fiscal years above, the Fund transferred surplus from surplus years as follows:

DEFICIT FUNDING BY FISCAL YEAR

Surplus Fund Years	October 2010	September 2011	September 2012	September 2013	October 2014
March 31, 2007					$800,000
March 31, 2006		$386,044	$169,196	$166,411	$423,810
March 31, 2005	$399,986				
Total	$399,986	$386,044	$169,196	$166,411	$1,223,810

Pursuant to Tenn. Comp. R. & Regs. 0780-01-54.24(1)(b) the Fund reported fund year deficiencies to the TDCI for the policy year ending March 31, 2012. However, the Fund did not report fund year deficits to the TDCI following the end of the March 31, 2010, March 31, 2011, March 31, 2013, and March 31, 2014, policy years. This issue is further addressed in the "Comments and Recommendations" section of this examination report.

ACCOUNTS AND RECORDS

Financial Records

Tenn. Comp. R. & Regs. 0780-01-54-.09(2) requires the Fund to submit to the Commissioner a statement of financial condition audited by an independent certified public accountant on or before the last day of the sixth (6th) month following the end of the Fund's fiscal year. Tenn. Comp. R. & Reg. 0780-01-54-.09(5) allows the Fund's audited financial statements to be prepared in accordance with Generally Accepted Accounting Principles (GAAP).

The Fund's independent accounting firm, FDH, issued the Fund's GAAP audited financial statements and prepared their federal income tax returns.

During the period of examination, ASC, the Fund's accounting services provider, recorded all assets, liabilities, cash receipts, and disbursements, and produced a general ledger using Sage 100 – MAS accounting software. ASC also prepared all year-end adjusting entries and a trial balance as of fiscal year-end.

Claims accounting records were originally produced from cash disbursement source documents prepared by ASC. FDH, and actuarial firm, By The Numbers Actuarial Consulting, Inc. (BTNAC), relied on ASC for individual case reserve estimate information for use in the Fund's audited financial statements and actuarial reports.

Member premium calculation and billing records originated from Willis' underwriting division including the calculation of loss experience modification factors. Willis relied on audited member payroll information from Overland Insurance Solutions, Inc. to calculate audited premium.

ASC calculates the amortized value of the Fund's debt securities shown on the balance sheet in the audited financial statements.

Information Systems

The majority of the Fund's information systems and data requirements were provided by ASC and Willis under the Claims Service and Service Company agreements previously discussed.

ASC and Willis utilized a hardware platform and operating system. ASC and Willis had operating system security software protection in place. ASC and Willis implemented a firewall system that prevented any outside access to ASC's information technology system or ASC's claims system. ASC and Willis had a local area network of connected desk top computers that ran on Windows operating systems. ASC used a software program licensed

by CS Stars, LLC for workers' compensation claim processing. Willis' underwriting division used underwriting software and software for premium computation and billing.

ASC and Willis have disaster recovery plans for their information technology systems and provide for offsite recovery of data.

Examination of Accounts and Records

Accounting and claims records of the Fund are kept at the office of ASC located at:

2501 McGavock Pike, Suite 802
Nashville, Tennessee 37214

Underwriting, marketing and excess insurance records are kept at the office of Willis located at:

26 Century Boulevard
Nashville, Tennessee 37230

The Fund had one (1) employee and was totally dependent upon its administrator and third parties for the performance of the day-to-day operations of the Fund. The Fund's overall control environment had limited documented internal controls and segregation of duties by those engaged by the Fund to perform key activities.

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 Fund's financial statements. The year-end 2014 general ledger and trial balance were reconciled with the financial statements, and all were reviewed for completeness of disclosure and conformity to GAAP as permitted by Tenn. Comp. R & Reg. 0780-01-54-.09(5).

LITIGATION AND CONTINGENT LIABILITIES

As of March 31, 2014, the Fund had committed no reserves to cover any contingent liability. Various lawsuits against the Fund have arisen in the normal course of business relating to workers' compensation claims' settlements. Liabilities arising from litigation are not considered material in relation to the financial position of the Fund.

MARKET CONDUCT ACTIVITIES

In conjunction with this examination, a market conduct review was made of the Fund as of March 31, 2014. The following areas were addressed:

UNDERWRITING

Underwriting - Membership Files

Tenn. Comp. R. & Regs. 0780-01-54-.08(1), Members of the Pool, states:

> "The board of trustees shall establish underwriting guidelines with respect to the addition of members to the pool as well as the renewal of its members. At a minimum, such underwriting guidelines shall set forth requirements for the members to be able to provide the pool evidence that the member is solvent. Each pool shall file such guidelines and any amendments thereto with the Commissioner no later than thirty (30) days prior to their proposed effective date."

During the period of examination, the Fund had published Underwriting Guidelines that were used in the acceptance and rejection of underwriting risk. The guidelines, which were filed with the TDCI prior to the period of examination, were found to be in compliance with the above rule requirements.

During the period of examination, the Fund conducted thirty-five (35) member actions, including fourteen (14) new member additions and twenty (21) member cancellations. All member actions were examined and found to be performed in accordance with Fund Underwriting Guidelines and in compliance with Tenn. Comp. R. & Regs. 0780-01-54-.08 (1).

Underwriting - Rate and Premium Contributions

Fund underwriting rate and premium contributions were examined for compliance with Tenn. Comp. R. & Regs. 0780-01-54-.10, Rates and Rate Reporting. In compliance with Tenn. Comp. R. & Regs. 0780-01-54-.10(4), the Fund filed with TDCI its Loss Cost Multiplier (LCM) and supporting documents for each year during the period of examination. The Fund's use of the LCM was further verified in the review of member underwriting files.

In the examination of member underwriting files, the examiners randomly select three (3) files from the Fund's total membership of fifty-seven (57). The examination focused on the Fund's calculation of the members' estimated and audited premiums to include use of authorized rates, experience modifications, and discounts in determining member premium contributions for the policy year ending March 31, 2014. No exceptions were noted.

ADVERTISING

Advertising items issued by the Fund were examined for compliance with the advertising sub-sections of the Unfair Trade Practices Act, as found in Tenn. Code Ann. §§ 56-8-104 (1) and (2). The Fund's print material, bulletins, and internet website was examined and found to be in compliance with these provisions.

CLAIMS REVIEW

The Fund's processing of workers' compensation claims was examined for compliance with claims handling standards as required by the Department of Labor, Division of Workers' Compensation Tenn. Comp. R. & Regs. 0800-02-14.

Two (2) claims from a population of seventy-three (73) open claims as of March 31, 2014, were reviewed. Information regarding the examination of these two (2) open claims files is described in each section below.

Reporting Requirements

Tenn. Comp. R. & Regs. 0800-02-14-.03(1) requires employers to report accidents to their insurer within one (1) working day of knowledge of injury. No exceptions were found where employers failed to report an accident within one (1) working day of knowledge of the injury.

Investigation

Tenn. Comp. R. & Regs. 0800-02-14-.06 requires medical rating and date of Maximum Medical Improvement (MMI) by the treating physician, and information needed to settle a claim be documented in writing, and that insurers make an offer of settlement in writing within thirty (30) days of MMI. No exceptions were found where the claims files did not contain the date of MMI and the required settlement documents.

Payment of Benefits

Tenn. Comp. R. & Regs. 0800-02-14-.05 requires compensation payments for an injury be received by the claimant no later than fifteen (15) days after notice of injury, and that compensation benefits be issued timely to assure the injured employee receives the benefits before the date they are due. All sampled payments were made within the required timeframe.

Payment of Medical Costs

Tenn. Comp. R. & Regs. 0800-02-14-.07 requires all medical costs owed under the Tennessee Workers' Compensation Law shall be paid within forty-five (45) days of receipt of invoice. All sampled medical payments were made within the required timeframe.

Case Reserves

The Fund established and maintained reserves for known claims and expenses, Claims Incurred But Not Reported (IBNR), and bad or uncollectible debt pursuant to Tenn. Comp. R. & Regs. 0780-01-54-.11(4).

In the examination of case reserves, the examiner considered the reserve established in each case and the overall reserve pattern present in the sample in determining if the Fund established and maintained adequate reserves. The examiner found the case reserves tested at March 31, 2014, appeared to be adequate at the time of review, based on known health information of the injured employee. However, for the two (2) claims tested, the case reserves established by representatives of ASC at March 31, 2015, were understated by a material amount. Subsequent to March 31, 2014, the Fund's actuary increased overall policy year case and IBNR reserves in order to account for the material increase in individual case reserves.

Due to the adverse development of case reserves for a limited number of claims during the most recent policy years, the expected liability for unpaid losses and loss adjustment expenses increased by a material amount during the most recent twenty-four (24) month period analyzed by the Fund's actuary. This issue is further addressed in the "Comments and Recommendations" section of this report.

POLICYHOLDER COMPLAINTS

Complaints for Workers' Compensation Claims are handled through the Tennessee Department of Labor and Workforce Development (TDOL). All information on how to request assistance is posted on the TDOL website: www.tn.gov/labor-wfd/wcomp.shtml. The website also provides information assistance related to the filing of a complaint and provides a C-40A form for submission of a request for assistance.

The examiner reviewed the complaint log ASC maintains on behalf of the Fund and found no complaints involving the Fund were recorded. Also, in the examination of a sample of claims, the examiner found no requests for assistance submitted by claimants through the TDOL website.

PRIVACY OF NON-PUBLIC PERSONAL INFORMATION

The Fund's members (policyholders) are commercial businesses. Tenn. Comp. R. & Regs. 0780-01-72-.02(2), Privacy of Consumer Information Regulations, includes the following in the definition of "Scope":

> "These rules do not apply to information about companies or about individuals who obtain products or service for business, commercial, or agricultural purposes."

The relationship of a beneficiary is addressed by Tenn. Comp. R. & Regs. 0780-01-72-.04(6)(b)(5). A beneficiary in a workers' compensation plan is not solely considered a consumer of the "licensee" provided that the "licensee" does not disclose nonpublic information about the individual to a nonaffiliated third party, other than as permitted under Tenn. Comp. R. & Regs. 0780-01-72-.14, 0780-01-72-.15, and 0780-01-72-.16.

The third-party vendors engaged by the Fund for accounting, claims, underwriting, marketing, excess insurance, investments, and member premium audits have written privacy policies, or their agreements with the Fund contain confidentiality and protection language governing Fund, member, and injured employee information.

ANTI-FRAUD PLAN

The Fund has a formalized anti-fraud plan which was filed with the TDCI on March 18, 2009. The anti-fraud plan language is in compliance with Tenn. Code Ann. § 56-47-112(a).

SUBSEQUENT EVENTS

Effective April 1, 2015, the Fund ceased to provide workers' compensation and employers' liability coverage to its members. In furtherance of this decision, on August 6, 2015, the Fund and AmFed National Insurance Company ("AmFed"), a Mississippi domiciled company that is licensed in Tennessee to write workers' compensation insurance, agreed to enter into a Master Transaction Agreement (MTA) retroactively effective to April 1, 2015.

In conjunction with and as a part of the MTA, the following occurred:

(1) The Fund arranged for its members to access workers' compensation and employers' liability insurance coverage from AmFed for the period April 1, 2015, through March 31, 2016, and beyond.

(2) In relation to the Fund's members procuring workers' compensation and employers' liability coverage from AmFed, the Fund, its sponsoring association, AmFed, and AmFed's affiliate, AmFed Casualty Insurance Company ("AmFed Casualty"), entered into a Royalty Agreement, effective April 1, 2015. The Fund and its sponsoring association licensed the use of their names and logos in connection with the insurance products which AmFed and AmFed Casualty offer and the services they perform for the Fund's previous members in exchange for a royalty payment from AmFed to the Fund. The Royalty Agreement stipulates the Fund shall receive a payment following the end of each quarter of two percent (2%) of billed and collected premium generated during the term of the Royalty Agreement.

It is noted that the copy of the royalty check AmFed issued on July 23, 2015, was made payable to the Fund's sponsoring association instead of the Fund itself.

Section 1.7 of the MTA allows for a Trustee of the Fund to sit on the Advisory Committee of AmFed Holding Company, LLC, the sole shareholder of AmFed National Ins. Co. and AmFed Casualty Ins. Co. The advisory director will serve only as long as the Royalty Agreement remains in effect.

(3) The Fund effected the equivalent of a loss portfolio transfer of all of its workers' compensation and employers' liability to AmFed. On August 12, 2015, the Fund submitted the MTA to the TDCI for approval. On May 18, 2015, and prior to the MTA submission, AmFed received approval from the TDCI Policy Analysis Section to issue the following:

   (a) Workers' Compensation and Employers' Liability Insurance Policy;
   (b) Tennessee Self-Insurance Replacement Endorsement;
   (c) Tennessee Self-Insurance Replacement Named Insured Endorsement; and
   (d) Retrospective Premium Endorsement, covering all members since the Fund's January 1, 1995, inception date through March 31, 2015.

(4) An integral part of the MTA was the transfer of excess of loss insurance coverage from the Fund's excess insurers to AmFed. The original MTA closing date scheduled for August 31, 2015, was delayed until October 30, 2015, due to the amount of time needed to arrange for the movement of excess of loss insurance coverage. On October 26, 2015, the Fund submitted to the TDCI a copy of the fully executed Consent of Assignment Agreements with Zurich American Insurance Company, Midwest Employers Casualty Company, Safety National Casualty Company and ACE American Insurance Company.

(5) On August 12, 2015, the Fund petitioned the TDCI to release its $100,000 statutory deposit, required pursuant to Tenn. Comp. R. & Regs. 0780-01-54-.04(3)(e). The release of the Fund's statutory deposit was approved by the TDCI on October 26, 2015, subsequent to the payment of Tennessee premium taxes in the amount of $61,691 on September 24, 2015, for the period ending December 31, 2014, and March 31, 2015.

(6) On August 12, 2015, the Fund requested an exemption from filing its March 31, 2015, audited financial statement as required by Tenn. Code Ann. § 50-6-405(c)(3)(A). On September 3, 2015, the TDCI waived the Fund's requirement to file an audited financial statement as a part of the MTA approval process.

(7) In order to surrender its certificate of authority to the TDCI, the Fund prepared an Original Affidavit of Lost or Misplaced Certificate of Authority, dated October 1, 2015. On October 26, 2015, the TDCI notified the Fund that it met the requirements to surrender its certificate of authority.

Upon receiving approval from the TDCI to enter into the MTA on September 3, 2015, the Fund, in October 2015, liquidated the majority of its bond and money market investments in order to pay AmFed a premium totaling approximately $5,450,000 (see below), in exchange for AmFed issuing a Workers' Compensation and Employers' Liability Insurance Policy and the three endorsements insuring all of the Fund's unpaid losses arising out of the Fund's coverage to its members from January 1, 1995, through March 31, 2015.

AmFed and the Fund effectuated the MTA on October 30, 2015, with the transfer of funds totaling $4,594,093 from the Fund's Pinnacle Bank investment account to AmFed. The payment of cash premium totaling $4,594,093 ($5,450,000 less claim payments and claim processing expenses paid since April 1, 2015, and excess insurance recoveries not yet received), to AmFed on October 30, 2015, reduced the Fund's cash and investment balance to an appropriate level for purposes of conducting limited operations following the completion of the MTA. The Fund as of October 31, 2015, held cash and securities with an approximate market value of $298,084.

Pursuant to the terms of the MTA, in addition to the $4,594,093 premium payment made on October 30, 2015, the Fund is subject to additional, retrospectively-rated premium payments, calculated at the end of the second, third, and fourth years of the MTA, based upon the claims paid by AmFed on the Fund's block of business. In accordance with Section 1.4 of the MTA, such additional premium payments, not to exceed $150,000 in the aggregate, must be approved by the TDCI and such payments shall not cause the Fund's cash-on-hand balance to be less than $50,000. In the event there is a deficiency of monies needed to make future retrospective premium payments, Section 1.4(c) of the MTA allows for the Fund to offset premium payments due to AmFed against royalty payments due to the Fund from AmFed.

FINANCIAL STATEMENTS

There follows a balance sheet and a statement of operations and fund balance as of March 31, 2014, for the period under review, as established by this examination:

BALANCE SHEET

Assets	
Cash and cash equivalents	$ 192,861
Marketable debt securities	5,327,934
Marketable debt securities held in trust	510,069
Premiums receivable	198,311
Interest receivable and other	189,164
Income taxes refundable	199,454
Deferred Income taxes	391,000
Total	$ 7,017,793

Liabilities and Policyholders' Surplus	
Unpaid Losses and loss-adjustment expenses	$ 3,540,000
Premium refunds payable	191,345
Accrued expenses and fees	169,865
Unearned premiums	108,684
Total Liabilities	4,009,894
Policyholders' surplus	3,007,899
Total	$ 7,017,793

STATEMENT OF OPERATIONS AND FUND BALANCE

Revenue	
Premiums Earned	$2,078,861
Interest income and other	98,487
Total revenue	2,177,348
Expenses	
Losses and loss adjustment expenses	2,229,048
Excess insurance premiums	336,996
General and administrative	246,907
Commission expense	145,598
Administrative fees – ASC	131,121
Management fees – Willis	103,943
Loss control fees – ES&H and Pearson	54,135
Premium tax expense	49,893
Total expenses	3,297,641
Income (loss) before income taxes	(1,120,293)
Income tax benefit (expense)	392,593
Net (loss) income	(727,700)
Policyholders' surplus, beginning of year	3,735,599
Policyholders' surplus, end of year	$3,007,899

COMMENTS AND RECOMMENDATIONS

COMMENTS

(1) The "Investment Management Agreement" signed by Pinnacle Bank and the Fund on August 6, 2013, did not exhibit language compliant with Tenn. Comp. R. & Regs. 0780-01-46 (effective May 26, 2013), as required of an investment custodian.

(2) During the current period of examination, the Fund entered into two (2) agreements which were required to be filed with the Commissioner no later than thirty (30) days prior to the proposed effective date.

A signed Administrator Agreement was presented to the TDCI after the February 12, 2013, effective date. The Fund's submission of the agreement to the Commissioner after the effective date did not meet the thirty (30) day pre-effective date filing requirement of Tenn. Comp. R. & Regs. 0780-01-54-.05.

Also, the Fund and ASC entered into a new Claims Service Contract with an effective date of April 1, 2013. The agreement was signed by the Fund's Chairman of the Board of Directors and ASC's Chief Operating Officer on June 28, 2013, and July 8, 2013, respectively. However, the contract was not filed with the Commissioner of the TDCI pursuant to Tenn. Comp. R. & Regs. 0780-01-54-.05.

(3) The Fund did not report fund year deficits to the TDCI following the end of the March 31, 2010, March 31, 2011, March 31, 2013, and March 31, 2014, policy years pursuant to Tenn. Comp. R. & Regs. 0780-01-54-.24(1)(b).

Due to the adverse development of case reserves during the 2013/ 2014 and 2014 / 2015 policy years, the expected liability for unpaid losses and loss adjustment expenses increased by fifty-four percent (54%) during the most recent twenty-four (24) month period analyzed by the Fund's actuary.

(4) On September 25, 2013, the Fund's Board of Directors approved a motion to convert the Fund to a mutual property and casualty insurance company. Construction Mutual Insurance Company (CMIC) was incorporated in Tennessee on January 31, 2014, as a not-for-profit organization. On February 12, 2014, the TDCI received a certificate of authority application for CMIC. Shortly thereafter, the Fund suspended it efforts to obtain a certificate of authority for CMIC from the TDCI.

(5) Section 1.4 of the MTA requires additional premium payments, not to exceed $150,000 in the aggregate, must be approved by the TDCI and such payments shall not cause the Fund's cash-on-hand balance to be less than $50,000. In order to demonstrate compliance with Section 1.4 of the MTA, it is suggested that the Fund provide

documentation evidencing its cash balance will not be less than $50,000 upon approval by the TDCI of any additional premium payment to AmFed.

(6) Article IV, Section 5 of the Fund's Bylaws requires the election of officers by the Trustees to serve for terms of two (2) years. The officers of the Fund shall consist of a Chairman and a Vice-Chairman. As of the date of examination the Trustees had not elected a Vice Chairman.

RECOMMENDATIONS

There were no recommendations for future corrective action due to the Fund surrendering its certificate of authority to the TDCI on October 26, 2015.

CONCLUSION

Insurance examination practices and procedures of the Tennessee Department of Commerce and Insurance and the National Association of Insurance Commissioners, were used in connection with the verification and valuation of assets and the determination of liabilities as reported by Associated Builders and Contractors of Tennessee Workers' Compensation Self-Insurance Fund. Additionally, Tennessee Code Annotated and Tennessee Comprehensive Rules and Regulations have been followed in connection with the verification and valuation of assets and the determination of liabilities of the Fund.

In such manner, it was determined that, as of March 31, 2014, the Fund had assets of $7,017,793 and liabilities of $4,009,894. Thus, there existed for the additional protection of the members of the Fund, the amount of $3,007,899 in the form of policyholders' surplus.

On October 26, 2015, the TDCI notified the Fund that it met the requirements to surrender its certificate of authority, approved the release of its statutory deposit and acknowledged the Fund is no longer licensed as a workers' compensation self-insurance pool in the State of Tennessee. All transactions stipulated pursuant to the terms of the MTA between the Fund and AmFed were completed on October 30, 2015, such that the Fund has effectively transferred all of its workers' compensation liabilities to AmFed, effective as of April 1, 2015.

The courteous cooperation extended by the Fund's Administrator, representatives of Alternative Service Concepts of Tennessee, LLC, representatives of Willis Pooling, representatives of Frasier, Dean & Howard, PLLC, and representatives of By The Numbers Actuarial Consulting, Inc., during the course of the examination is hereby acknowledged.

In addition to the undersigned, Brian Sewell, CFE, Insurance Examiner, Bryant Cummings, CFE, Insurance Examiner, and Crystal Messner, Insurance Examiner, representing the State of Tennessee, participated in the work of this examination.

Respectfully submitted,

James T. Pearce, Jr.

James T. Pearce, Jr.
Insurance Examiner
State of Tennessee

AFFIDAVIT

The undersigned deposes and states that he has duly executed the attached examination report of Associated Builders and Contractors of Tennessee Workers' Compensation Self-Insurance Fund dated November 3, 2015, and made as of March 31, 2014, on behalf of the Department of Commerce and Insurance, State of Tennessee. Deponent further states he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information, and belief.

James T. Pearce, Jr.

James T. Pearce, Jr.
Insurance Examiner
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 18th day of May, 2016

Notary Kira Burnett

My Commission Expires: November 6, 2017

KIRA BURNETT
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY
MY COMMISSION EXPIRES 11-6-2017

EXHIBIT B

ABC SIF

Workers' Compensation
Self Insurance Fund

May 24, 2016

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 – **Associated Builders & Contractors of Tennessee Workers' Compensation Self Insurance Fund.**

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for **Associated Builders & Contractors of Tennessee Workers' Compensation Self Insurance Fund.** By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

Bob Pitts
Administrator

TN Department of Commerce & Insurance

May 18, 2016

CERTIFIED MAIL
7012 1010 0003 2379 5667

Mr. Bob Pitts
Administrator
Associated Builders & Contractors of Tennessee
Workers' Compensation Self Insurance Fund
1604 Elm Hill Pike
Nashville, TN 37210

RE: **Report of Examination of Associated Builders & Contractors of Tennessee Workers' Compensation Self Insurance Fund**

Dear Mr. Pitts:

Enclosed please find a FINAL copy of the Report of Examination for Associated Builders & Contractors of Tennessee Workers' Compensation Self Insurance Fund, made as of March 31, 2014. If you are in agreement with the report, please respond to that affect, in writing, by May 23, 2016. 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. 50-6-405(c)(1)(C) and Tenn. Comp. R. & Regs. 0780-01-54.-20, please provide this office with your Company's position by May 23, 2016. 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 assistance with this matter and your courteous cooperation during the examination.

Sincerely,

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