REPORT ON EXAMINATION

OF THE

PREMIER GROUP INSURANCE COMPANY

MURFREESBORO, TENNESSEE

RECEIVED

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Dept. of Commerce & Insurance
Company Examinations

AS OF

DECEMBER 31, 2011

THE DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

EXHIBIT

A

TABLE OF CONTENTS

Item	Page
Salutation	1
Introduction	1
Scope of Examination	1
Previous Examination Comments and Recommendations	2
Company History	3
Charter and Bylaws	5
Management and Control	6
Corporate Records	7
Pecuniary Interest	7
Agreements with Parent, Subsidiaries and Affiliates	8
Fidelity Bond and Other Insurance	8
Territory	8
Plan of Operation	8
Market Conduct Activities	9
Reinsurance	10
Retirement Plan and Other Employee Benefits	11
Loss Experience	11
Accounts and Records	12
Statutory Deposits	12
Dividends or Distributions	13
Litigation	13
Subsequent Events	13
Financial Statement	14
Analysis of Changes in Financial Statement Resulting from Examination	18
Summary Schedule for Analysis of Changes in Financial Statement As They Affect Surplus	18
Comments and Recommendations	19
Conclusion	20
Affidavit	21
Organizational Chart	22

Murfreesboro, Tennessee
May 16, 2013

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

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

PREMIER GROUP INSURANCE COMPANY
MURFREESBORO, TENNESSEE

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

INTRODUCTION

This examination was called by the Commissioner of Commerce and Insurance of the State of Tennessee through the Examination Tracking System of the National Association of Insurance Commissioners (NAIC) and commenced on June 25, 2012. The examination was conducted under the association plan of the NAIC by duly authorized representatives of the Department of Commerce and Insurance, State of Tennessee.

SCOPE OF EXAMINATION

This examination report covers the period from December 31, 2006, the date of the last previous examination, to the close of business on December 31, 2011, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with the *NAIC Financial Condition Examiners Handbook*. The examination was planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent

risks within the Company, and 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Independent actuaries were used in the review of the Company's reserves. In addition, the following topics were reviewed:

Previous Examination Comments and Recommendations
Company History
Charter and Bylaws
Management and Control
Pecuniary Interest
Agreements with Parent, Subsidiaries and Affiliates
Corporate Records
Fidelity Bonds and Other Insurance
Territory and Plan of Operation
Market Conduct Activities
Reinsurance
Retirement Plan and Other Employee Benefits
Loss Experience
Accounts and Records
Statutory Deposits
Dividends or Distributions
Litigation
Financial Statement

PREVIOUS EXAMINATION COMMENTS AND RECOMMENDATIONS

The previous full scope examination of the Company was conducted as of December 31, 2006, by examiners of the Tennessee Department of Commerce and Insurance. The previous examination resulted in a decrease to the Company's surplus of one million, six hundred ninety-five thousand, one hundred forty-four dollars ($1,695,144). The adverse finding and its resolution are as follows:

> The change reflects a reduction in the amount of assets admitted which are held under a Trust Agreement with SunTrust Bank, Nashville, N.A. These funds are held in trust for the benefit of Zurich American Insurance Company as part of a reinsurance arrangement. The Company put the assets in trust so that Zurich could take credit for the ceded loss reserves since the Company is not authorized in New York (domicile for Zurich).

The total amount of the assets held in trust is $10,629,664. A portion is admitted based on T.C.A. § 56-1-405 which states that "The commissioner shall allow to the credit of an insurance company in the account of its financial condition only such assets as are or can be made available for payment of losses in Tennessee, but may credit any deposits of funds of the company set apart as security for a particular liability". However, T.C.A. § 56-3-115 limits the amount of the excess of the asset over the amount of the liability that may constitute admissible assets to 30% of the company's capital and surplus.

The Company reports a liability of $2,693,000 on Schedule F, Part 1 of its annual statement. Therefore, the excess trust deposit is $7,936,664. The Company's capital and surplus as reported in its annual statement is $20,805,068, which means that the excess liability that may be admitted is 30%, or $6,241,520. Therefore, the difference of $1,695,144 between the excess liability of $7,936,664 and the admissible amount of $6,241,520 must be nonadmitted.

The trust deposit was reduced to an amount that qualified as an admitted asset prior to issuance of the December 31, 2006 report. The trust deposit remains in compliance with T.C.A. § 56-3-115 as of the date of this report.

COMPANY HISTORY

The Company, previously known as NHC Insurance Company, was incorporated on February 15, 1983, under the Tennessee Business Corporation Act as a for profit corporation authorized to transact business in the state of Tennessee. The Company's Charter authorizes it to enter into the business of designing, creating, maintaining, selling, and servicing policies of insurance in the field of "Casualty Insurance" as defined in Tenn. Code Ann. § 56-2-201.

The first meeting of the incorporator and subscribers of capital stock was held on January 3, 1983. At that meeting, the Charter and the Corporate Bylaws were approved and the Board of Directors was elected. The first meeting of the stockholders was also held on this same date. At that meeting, officers were elected and a resolution was authorized which approved the sale of 750,000 shares of stock of the corporation at one dollar ($1) par value to National Health Corporation for total consideration of one million, one hundred twenty-five thousand dollars ($1,125,000). Meetings of the shareholders were subsequently held annually with the primary business being the election of the Board of Directors.

On January 6, 1987, Stock Certificate One in the name of National Health Corporation was canceled. Stock Certificate Two was then issued to National HealthCorp L. P.

A special meeting of the shareholder was held on December 31, 1996. The shareholder stated that:

> ... it or its predecessors have held a stock certificate representing 1,000 shares of authorized, issued and outstanding common stock of NHC Insurance Company since January 1983, but has never actually capitalized the Company since at that time the shareholder elected not to go forward with qualifying NHC Insurance Company as a Tennessee licensed insurance company.

The shareholder then adopted resolutions authorizing the President and/or Secretary of the corporation to complete and file such necessary papers with the Commissioner of Insurance of the State of Tennessee so as to obtain a Certificate of Authority for the corporation to transact the casualty insurance business in said state of Tennessee. The corporation additionally appointed the Commissioner as its authorized registered agent for service of process.

The shareholder also adopted a resolution authorizing the current president and secretary to accept as and for the capital contribution to the Company from its sole shareholder, National HealthCare L. P., the sum of two million, seven hundred thousand dollars ($2,700,000). This capital and surplus contribution shall be deemed to replace and otherwise alter or amend any prior resolutions of the shareholder or the board, and the previously issued certificate of stock for 1,000 shares shall be canceled and a new certificate for 1,000,000 shares shall be issued. On the same date, Stock Certificate Two was canceled and Stock Certificate Three was issued in order to reflect the new name of the shareholder, National HealthCare L. P.

The Company received its Certificate of Authority to transact the business of "Casualty (Workers Compensation Only)" on May 29, 1997. Effective at midnight on December 31, 1997, National HealthCare L. P. was merged into National HealthCare Corporation (NHC), and the ownership of the Company was transferred to NHC/OP, L. P., a 100% owned subsidiary of NHC. The Company requested that the restriction of "(Workers Compensation Only)" be removed from the original Certificate of Authority on November 25, 1998. An amended Certificate of Authority dated January 25, 1999, was issued authorizing the Company to transact the business of "Casualty."

The Company changed its name to Premier Group Insurance Company, Inc. effective April 1, 2001. A Certificate of Authority was issued on July 2, 2001, in the new name and made effective the same date. The Company changed its name to Premier Group Insurance Company effective October 1, 2001. A Certificate of Authority effective November 5, 2001, was issued on December 12, 2001, in the new name.

The following exhibit depicts certain aspects of the growth and financial history of the Company since the previous examination, according to annual statements filed with the Department of Commerce and Insurance, State of Tennessee:

Year	Earned Premiums	Incurred Losses & LAE	Admitted Assets	Capital and Surplus	Net Income
2007	$11,824,675	$6,444,019	$47,811,776	$24,694,890	$2,713,568
2008	14,482,160	5,709,253	51,049,092	29,146,394	4,446,937
2009	13,214,316	4,284,172	48,501,429	27,731,090	2,486,000
2010	13,216,270	7,576,787	47,995,831	27,803,915	2,104,791
2011	13,599,606	7,499,643	47,239,725	27,362,488	1,658,898

CHARTER AND BYLAWS

Charter:

The Charter was filed and recorded with the Tennessee Secretary of State on February 15, 1983, and recorded with the Rutherford County Clerk on March 7, 1983. The stated purposes of the Company are:

> (a) To enter into the business of designing, creating, maintaining, selling and servicing policies of insurance in the field of "Casualty Insurance" as same is defined in Tennessee Code Annotated 56-2-201(6) as same presently is constituted, or as same may be amended or altered by the General Assembly of the State of Tennessee from time to time and as furthermore defined by the Commissioner of Insurance of the State of Tennessee in their duly promulgated rules and regulations authorized by the General Assembly of the State of Tennessee.
>
> (b) To take all corporate actions necessary, appropriate and legal for casualty insurance companies to take in the State of Tennessee or other jurisdictions, pursuant to the specific statutory law and regulatory provisions governing insurance companies in said jurisdiction.
>
> (c) To engage in any activity of business for which corporations may be organized under the General Corporation Act of the State of Tennessee.

It was noted that Casualty Insurance is currently defined in Tenn. Code Ann. § 56-2-201(2), although Tenn. Code Ann. § 56-2-201(6) was cited in the original Charter. The reference was correct when the original Charter was filed in 1983. The statute was amended in 1998.

The original Charter authorized a maximum number of 1,000,000 shares of stock with a par value of one dollar ($1) per share.

Articles of Amendment to the Charter were filed with the Secretary of State's office on November 21, 1998, to change the address of the principal corporate office. Articles of Amendment to the Charter were filed with the Secretary of State's office on June 19, 2001, to change the Company name to Premier Group Insurance Company, Inc. Articles of Amendment to the Charter were filed with the Secretary of State's office on November 5, 2001, to change the Company name to Premier Group Insurance Company and again on July 29, 2003, to change the maximum number shares of stock the Company was authorized to issue from 1,000,000 to 1,500,000 shares.

The corporation's existence is perpetual and its principal corporate office is established at 100 Vine Street, Suite 1400, Murfreesboro, TN 37130.

Bylaws:

The Bylaws of the Company in effect at December 31, 2011, were adopted by the unanimous consent of the Board on January 3, 1983, at the first meeting of the Board of Directors. They were amended on May 15, 2007, to change the date that the annual meeting of the Board of Directors is held from the month of February to state that it may be held at any time prior to May 31 of each year.

The Bylaws are such as are generally found in corporations of this type. They are consistent with the charter and contain no unusual provisions. They provide for the regulation of the business and for the conduct of the affairs of the Company, the Board of Directors and the shareholders. The Bylaws may be altered or amended by an affirmative vote of the majority of the entire Board of Directors at any regular or special meeting, or by the vote of the holders of a majority of the stock.

MANAGEMENT AND CONTROL

Management:

The Bylaws vest the management of the business and affairs of the Company in a Board of Directors of at least three persons. As of December 31, 2011, the Board of Directors of the Company was composed of the following:

Name	Address	Position
Robert Galloway Adams	Murfreesboro, Tennessee	President and Chief Executive Officer, NHC
David Leon Lassiter	Murfreesboro, Tennessee	Senior Vice President for Corporate Affairs, NHC
Robert Michael Ussery	Murfreesboro, Tennessee	Senior Vice President of Operations, NHC

As of December 31, 2011, the following persons held office in the Company:

Name	Title
Donnie Phil Hester	President
William Porter Nelms, Jr.	Vice President and Secretary
Charlotte Ann Swafford	Treasurer

The administrative and executive functions of the Company are performed by staff employed through its ultimate parent, NHC, and provided to the Company under the recitals of an Administrative Agreement between the Company and NHC as described in this report under the heading "Agreements with Parent, Subsidiaries and Affiliates." Certain services are purchased from outside contractors if needed and not available from in-house personnel. Such services include actuarial analysis and independent audit.

Control:

The Company is wholly-owned by NHC/OP, L. P. (a Delaware Limited Partnership). NHC/OP, L. P. is 99% owned by NHC and 1% owned by NHC/Delaware, Inc. NHC/Delaware, Inc. is wholly-owned by NHC. A holding company organizational chart is included at the last page of this examination report.

CORPORATE RECORDS

Minutes of meetings of the shareholders and Board of Directors of the Company were reviewed for the period under examination. In general, such minutes appear to be in proper order and to support the proceedings of each respective meeting.

PECUNIARY INTEREST TENN. CODE ANN. § 56-3-103

The Company established a conflict of interest policy for its Directors and Officers to attest to compliance with Tenn. Code Ann. § 56-3-103, prohibiting officers and directors from having pecuniary interest in investment or disposition of Company funds. The Officers and Directors filed annual conflict of interest statements for each year under examination.

AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

The Company has an administration agreement with National HealthCare Corporation, the ultimate parent. The agreement was made effective on January 1, 2010, and was approved by the Commissioner of Insurance, State of Tennessee on February 24, 2010. The original term was three years ending December 31, 2012, to be automatically renewed for one year, and shall so renew each year, from year to year, on the same terms and conditions. Either party shall have the right to terminate the agreement by giving written notice at least sixty days prior to the end of the then current contract term.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond issued to its parent, NHC. The coverage limits are as follows:

Type of Coverage	Single Loss Limit of Insurance	Single Loss Retention
Employee Theft	$ 1,500,000	$ 50,000
ERISA Fidelity	$ 1,500,000	$ 0

Coverage is underwritten by Travelers Casualty and Surety Company of America, which is licensed in Tennessee.

TERRITORY

As of December 31, 2011, the Company was licensed to transact business in the following states:

Alabama	Arizona	Florida
Georgia	Kansas	Kentucky
Massachusetts	Missouri	New Hampshire
South Carolina	Tennessee	Virginia

The Certificates of Authority for each jurisdiction were reviewed and found to be in order.

PLAN OF OPERATION

The Company issues Workers' Compensation and Employers' Liability Policies to healthcare facilities owned or managed by National HealthCare Corporation. The Company retains the first one million dollars ($1,000,000) of each occurrence.

The figures below show the premiums by state in which the Company was licensed for the year ending December 31, 2011, as reported in Schedule T of the Company's Annual Statement:

State	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred	Direct Losses Unpaid
Alabama	$ 393,163	$ 393,163	$ 36,862	$ 69,651	$ 110,766
Arizona				(47,978)	
Florida	2,833,750	2,833,750	1,031,218	809,448	3,077,669
Georgia	272,614	272,614	62,109	77,024	93,464
Kansas	255,045	255,045	89,911	113,570	361,328
Kentucky	301,657	301,657	19,280	118,202	294,924
Massachusetts	357,586	357,586	241,573	454,048	329,456
Missouri	1,110,398	1,110,398	359,800	356,449	1,843,365
New Hampshire	435,255	435,255	222,402	299,001	260,013
South Carolina	3,128,817	3,135,209	1,051,980	925,124	1,440,585
Tennessee	4,613,547	4,613,547	1,718,810	1,904,972	2,996,675
Virginia	105,448	105,448	20,678	17,555	95,139
Totals	$13,807,280	$13,813,672	$ 4,854,623	$ 5,097,066	$10,903,384

MARKET CONDUCT ACTIVITIES

In accordance with the policy of the Department of Commerce and Insurance, State of Tennessee, a market conduct review was made of the Company as of December 31, 2011, in conjunction with this examination.

The following items were reviewed:

Policy Forms and Rates:

The Company contracts with the National Council on Compensation Insurance, Inc. to provide its policy forms and to make its rate filings. No exceptions were noted in the review of the Company's filed policy forms and rates.

Advertising:

The Company did not use any advertising to market their products.

Claims Review:

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

Policyholder Complaints:

Inquiries made to the policyholders' service offices indicated no concerns or complaints with the Company during the period under examination. As of December 31, 2011, the Company did not have a complaint register as required by Tenn. Code Ann. § 56-8-104 (11). Prior to completion of the examination, the Company developed a complaint handling system to track complaint information.

REINSURANCE

The Company's reinsurance agreements were reviewed and found to contain the standard provisions for arbitration, cancellation, errors and omissions, exclusions, insolvency, offset, settlement, taxes and termination. The Company's reinsurance agreements did transfer risk in accordance with SSAP No. 62 and NAIC guidelines. The following summary describes the reinsurance agreements in effect as of December 31, 2011:

Reinsurance Assumed:

The Company assumes Workers' Compensation and Employers' Liability policies written by Zurich American Insurance Company. This business was written to cover healthcare facilities owned or managed by National HealthCare Corporation in states other than Tennessee, where the Company was not licensed. Beginning in 2005, the Company ceased assuming business from Zurich American Insurance Company and began writing the policies on a direct basis as it received licenses in other states. However, this treaty is still in run-off.

Reinsurance Ceded:

The primary intent of the Company's reinsurance agreements is to manage the Company's overall exposure to loss at or below a level that is within the capacity of its capital resources.

The Company carries an excess of loss reinsurance treaty with coverage of nine million dollars ($9,000,000) excess of a retention of one million dollars ($1,000,000) per occurrence. The treaty, effective January 1, 2011, through January 1, 2012, indemnifies the Company in respect of the excess liability of any loss which may attach under new or renewal policies in force at the effective date, or issued or renewed on or after that date that was classified by the Company as Workers' Compensation and Employers' Liability. The excess policy is written by Midwest Employers Casualty Company, an admitted insurer in Tennessee.

Unearned Ceding Commission:

The Company's reinsurance agreements cede premiums on a written basis, and therefore, in the event of termination, the Company would be obligated to return any unearned ceding commissions to the reinsurers. However, the agreements provide that in the event of termination, the reinsurance continues to apply to all policies in force until their expiry or cancellation in the normal course of business. There is no return of premium or ceding commission at the termination of an agreement because the policies continue in full force. Therefore, the Company is deemed to have no ultimate liability for unearned ceding commissions.

RETIREMENT PLAN AND OTHER EMPLOYEE BENEFITS

As of December 31, 2011, the Company had three employees, all of whom provide claim services in the Company's field offices. All other services are provided through National Health Corporation, which leases employees to NHC, parent of the Company, under terms of an Employee Service Agreement. NHC in turn provides administrative and data processing services to the Company under terms of an Administrative Agreement. Employees of the Company and its parent are eligible to participate in various benefit plans offered, including health, vision and dental insurance and a matching 401(k) program.

LOSS EXPERIENCE

The loss experience of the Company for the period under examination, as reported in its Annual Statements, is as follows:

Year	Losses Incurred	LAE Incurred	Premiums Earned	Loss Ratio
2007	$ 4,435,654	$ 2,008,365	$11,824,675	54.5%
2008	3,343,439	2,365,814	14,482,160	39.4%
2009	2,693,522	1,590,650	13,214,316	32.4%
2010	5,410,091	2,166,696	13,216,270	57.3%
2011	4,936,836	2,562,807	13,599,606	55.1%
Total	$20,819,542	$10,694,332	$66,337,027	47.5%

ACCOUNTS AND RECORDS

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to confirm values for assets and liabilities appearing in the Company's financial statements. All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. General ledger trial balances were reconciled with copies of annual statements for the years 2007, 2008, 2009, 2010 and 2011. Accounting records conform to generally accepted insurance accounting practices and appear to reflect the operations and status of the Company during the period under examination properly.

The Company's Risk-Based Capital Report was reviewed. The Company was in compliance with Title 56, Chapter 46, of the Tennessee Code Annotated (Risk-Based Capital for Insurers).

An annual audit of the Company was performed by an independent accounting firm.

STATUTORY DEPOSITS

In compliance with statutory requirements, the Company maintained the following deposits at December 31, 2011:

Where Deposited and Description	Par Value	Statement Value	Market Value
Arizona			
Highmark Treasury Plus Money Market Fund	$ 190,000	$ 190,000	$ 190,000
Florida			
Cash	175,000	175,000	175,000
Massachusetts			
U. S. Treasury Note, 0.375%%, Due 7/31/13	150,000	149,980	150,345
New Hampshire			
Cash	498,800	498,800	498,800
Virginia			
Cash	225,106	225,106	225,106
Total deposits not held for the benefit of all policyholders of the Company	**1,238,906**	**1,238,886**	**1,239,251**
Tennessee			
U. S. Treasury Note 0.875%, Due 2/29/12	1,100,000	1,099,870	1,101,461
Total deposits held for the benefit of all policyholders of the Company	**1,100,000**	**1,099,870**	**1,101,461**
Total	**$2,338,906**	**$2,338,756**	**$2,340,712**

DIVIDENDS OR DISTRIBUTIONS

During the period of examination, the Company paid the following amounts in shareholder dividends:

Year	Amount
2007	$ 0
2008	0
2009	4,000,000
2010	2,000,000
2011	2,000,000
Total Paid During Period of Examination	$8,000,000

LITIGATION

As of December 31, 2011, the Company had an accrued liability associated with other underwriting expense of two million, nine hundred twenty-eight thousand, one hundred ninety dollars ($2,928,190) for policy years 2005 through 2007 pursuant to certain state provisions that limit net underwriting gains on workers' compensation in the state of Florida to 5% of earned premium. No liabilities for excessive net underwriting gains have been recognized for policy years subsequent to 2007. The Company is actively contesting the state of Florida's method of calculating net underwriting gains.

SUBSEQUENT EVENTS

On May 15, 2012, the Company declared a dividend in the amount of one million five hundred thousand dollars ($1,500,000) to stockholders. The dividend was paid on June 1, 2012.

FINANCIAL STATEMENT

There follows a statement of assets, liabilities and statement of income at December 31, 2011, together with a reconciliation of capital and surplus for the period under review, as established by this examination:

ASSETS

	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$ 1,249,850		$ 1,249,850
Cash and short-term investments	45,069,946	219,220	44,850,726
Investment income due and accrued	32,408		32,408
Uncollected premiums and agents' balances in course of collection	118,870	118,870	0
Deferred premiums, agents' balances and installments booked but deferred and not yet due	73,881		73,881
Current federal income tax recoverable	327,884		327,884
Net deferred tax asset	950,838	670,838	280,000
Guaranty funds receivable or on deposit	398,814		398,814
Electronic data processing equipment and software	17,030		17,030
Aggregate write-ins for other than invested assets	80,253	71,123	9,130
Totals	$48,319,776	$1,080,051	$47,239,725

LIABILITIES, SURPLUS, AND OTHER FUNDS

Losses		$11,682,974
Loss adjustment expenses		4,669,651
Other expenses (excluding taxes, licenses and fees)		3,122,046
Taxes, licenses and fees (excluding federal and foreign income tax)		54,365
Unearned premiums		163,489
Amounts withheld or retained by company for account of others		6,858
Remittances and items not allocated		2,728
Aggregate write-ins for liabilities		174,855
Total Liabilities		19,877,236
Common capital stock	$ 1,200,000	
Gross paid in and contributed surplus	1,700,000	
Unassigned funds (surplus)	24,462,488	
Total capital and surplus		27,362,488
Totals		$47,239,725

STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned		$13,599,606
Deductions: Losses incurred	$4,936,836	
Loss expenses incurred	2,562,807	
Other underwriting expenses incurred	3,831,098	
Total underwriting deductions		11,330,742
Net underwriting gain		2,268,864

INVESTMENT INCOME

Net investment income earned	110,098	
Net investment gain		110,098

OTHER INCOME

Aggregate write-ins for miscellaneous income	93,469	
Total other income		93,469
Net income before federal income taxes		2,472,431
Federal income taxes incurred		813,533
Net income		$ 1,658,898

CAPITAL AND SURPLUS

Surplus as regards policyholders, December 31 prior year		$27,803,915
Net income	$1,658,898	
Change in net deferred income tax	(22,580)	
Change in non-admitted assets	(77,745)	
Dividends to stockholders	(2,000,000)	
Change in surplus as regards policyholders for the year		(441,427)
Surplus as regards policyholders, December 31 current year		$27,362,488

RECONCILIATION OF CAPITAL AND SURPLUS FOR THE PERIOD UNDER EXAMINATION

Surplus as regards policyholders December 31	**2007**	**2008**	**2009**	**2010**	**2011**
Previous Year	$20,805,068	$24,694,889	$29,146,394	$27,731,090	$27,803,915
Net Income	2,713,568	4,446,937	2,486,000	2,104,791	1,658,898
Change in net deferred income tax	(401,269)	(87,274)	(256,175)	(51,920)	(22,580)
Change in nonadmitted assets	1,577,523	91,841	354,871	19,953	(77,745)
Dividends to stockholders			(4,000,000)	(2,000,000)	(2,000,000)
Change in surplus as regards policyholders for the year	3,889,822	4,451,504	(1,415,304)	72,825	(441,427)
Surplus as regards to policyholders December 31 Current Year	**$24,694,889**	**$29,146,394**	**$27,731,090**	**$27,803,915**	**$27,362,488**

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT RESULTING FROM EXAMINATION

Differences in various items were noted during the course of examination; however, none were considered to produce a material effect on surplus funds, as regards policyholders, either singly or in aggregate.

SUMMARY SCHEDULE FOR "ANALYSIS OF CHANGES IN FINANCIAL STATEMENT RESULTING FROM EXAMINATION" AS THEY AFFECT SURPLUS

No schedule or comment is applicable. All noted financial differences were within the tolerable error and planning materiality established for examination purposes.

COMMENTS AND RECOMMENDATIONS

Comments:

As of December 31, 2011, the Company did not maintain a complaint register as required by Tenn. Code Ann. § 56-8-104 (11).

Prior to completion of the examination, the Company developed a complaint handling system so that each complaint will be recorded and the date that the complaint was resolved will also be logged.

The Company is now in compliance with Tenn. Code Ann. § 56-8-104 (11).

CONCLUSION

Insurance examination practices and procedures, as promulgated by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Premier Group Insurance Company of Murfreesboro, Tennessee.

In such manner, it was determined that, as of December 31, 2011, the Company had admitted assets of forty-seven million, two hundred thirty-nine thousand, seven hundred twenty-five dollars ($47,239,725) and liabilities, exclusive of capital, of nineteen million, eight hundred seventy-seven thousand, two hundred thirty-six dollars ($19,877,236). Thus, there existed for the additional protection of the policyholders, the amount of twenty-seven million, three hundred sixty-two thousand, four hundred eighty-eight dollars ($27,362,488) in the form of paid-up capital, gross paid-in and contributed surplus and unassigned funds (surplus).

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, David N. Bobo, Insurance Examiner for the state of Tennessee, participated in the work of this examination. An actuarial review was performed by Gregory S. Wilson, FCAS, MAAA, of the actuarial firm Lewis & Ellis, Inc., of Richardson, Texas.

Respectfully submitted,

Rhonda Bowling-Black

Rhonda Bowling-Black, CFE
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

AFFIDAVIT

The undersigned deposes and says that she has duly executed the attached examination report of Premier Group Insurance Company dated May 16, 2013, and made as of December 31, 2011, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says she is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of her knowledge, information and belief.

Rhonda Bowling-Black

Rhonda Bowling-Black, CFE
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

Subscribed and sworn to before me

this 16th day of

May, 2013

Notary Helen W. Dorsey

County Davidson

State Tennessee

Commission Expires 03/03/2014

HELEN W DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

PGI

Premier Group Insurance

RECEIVED

MAY 21 2013

Dept. of Commerce & Insurance
Company Examinations

May 20, 2013

Mr. James E. York, Jr., CFE, AES
Insurance Examinations Director
Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

Re: Financial Condition Examination of Premier Group Insurance Company Made as of December 31, 2011

Dear Mr. York:

I received the copy of the Examination Report of Premier Group Insurance Company made as of December 31, 2011. This is your notification that we are in agreement with the report and waive our right to a rebuttal.

If you need any additional information, please contact me at 615-278-1225 ext. 203.

Sincerely,

Donnie P. Hester
President

EXHIBIT
B

P.O. Box 1122 Murfreesboro, TN 37133 615-278-1225