

Report of Examination
of
The Farmers Mutual Fire Insurance Company of Union County
Maynardville, Tennessee

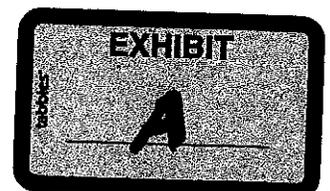
Ruth Sexton, Secretary/Treasurer
140 Court Street
P.O. Box 326
Maynardville, Tennessee 37807

Examination made as of: December 31, 2008
Examiner in Charge: Sandy M. Banks, MBA
Examination commenced: September 28, 2009

RECEIVED

JUN 25 2010

Dept. of Commerce & Insurance
Company Examinations



Date of Report: June 25, 2010

Examined as of: December 31, 2008

Last Examination as of: December 31, 2003

Commissioner Leslie Newman
Department of Commerce and Insurance
State of Tennessee
Nashville, Tennessee 37243

Commissioner,

Pursuant TENN. CODE ANN. 56-22-115 and your instructions, I have made an examination and submit the following report of the conditions and affairs of the

Farmers Mutual Fire Insurance Company of Union County

Maynardville, Tennessee

Officers

<u>Title</u>	<u>Name</u>	<u>Address</u>	<u>Term Expires</u>
President	James G. Sexton	Maynardville, TN	2011
Vice President	Warren Dykes	Maynardville, TN	2011
Secretary & Treasurer	Ruth Sexton	Maynardville, TN	2010

Directors:

<u>Name</u>	<u>Address</u>	<u>Term Expires</u>
James G. Sexton	Maynardville, TN	2011
Warren Dykes	Maynardville, TN	2011
Ruth Sexton	Maynardville, TN	2010
Timothy D. Atkins	Maynardville, TN	2009
William F. Hensley	Maynardville, TN	2010
Noah Sexton	Maynardville, TN	2010

Compensation of officers, directors, appraisers, adjusters, et al:

The Company reported Directors and Officers received compensation and allowances of \$7,162.

This amount includes \$75 each Director plus mileage per every board meeting attended and \$30 for each application and adjustment approved. The Secretary/Treasurer is compensated \$27,810. Agents receive \$0.80 per \$100 of approved application.

Report of changes in the Constitution or By-Laws, policy forms, or other agreements during the period covered by this examination.

None.

If copies have not been filed with the Department of Commerce and Insurance, are they filed with the work papers of this report?

N/A

Report on reinsurance assumed and / or ceded.

Type: Combination Per Risk / Aggregate Excess of Loss
Reinsurer: Farmers Mutual of Tennessee
Term: Continuous contract, originally effective February 17, 2000..
Coverage: Section I – Property Risk Excess of Loss: The reinsurer shall not be liable for any loss hereunder until the Company's ultimate net loss, each risk, each loss occurrence, exceeds \$50,000 and then the reinsurer shall be liable for 100% of the Company's ultimate net loss, each risk, each loss occurrence, in excess of \$50,000 but the reinsurers liability shall not exceed \$50,000 each risk, each occurrence.

Section II – Aggregate Excess of Loss: The reinsurer shall not be liable for any loss hereunder until the Company's ultimate net loss, in the aggregate for each contract year, exceeds the greater of 100% of the Company's gross net premium or \$75,000 and the reinsurer shall be liable for 100% of the Company's ultimate net loss in excess of that amount, but the reinsurers liability, for each calendar year, shall not exceed 100% of the lesser of 100% of the Company's gross net premium or \$115,000.

The Company deposits premiums in the amount of \$5,000 to Farmers Mutual of Tennessee in equal installments of \$2,500 each on March 1 and September 1.

Appraisal and classification of risks taken.

The Company insures dwellings, trailers, and modular homes, including contents written after January 2, 1996, for two-thirds (2/3) of their value. The Company does not cover losses for damages by snow or hail.

If the home is vacant it will be appraised for 1/3 of its value until it is occupied. If it is not occupied within sixty (60) days the policy is cancelled.

Annual rate of assessment per \$1,000.00 for period covered:

	2004	2005	2006	2007	2008
Fire	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00
Regular Mobile Homes	same as above				
Superior Mobile Homes	same as above				
Double Wide Mobile Homes	same as above				

Rate of membership, policy and initial fees charged.

The Company charges a fee of \$8.00 per \$1,000.00 of what the Agent and Director assess as the appraisal value.

Date of last assessment.

The Company makes assessments quarterly based on the anniversary date of the policy.

Amount delinquent.

There have never been any delinquencies. The Company cancels policies if assessments are not paid within 60 days of notification.

Did that assessment provide for all losses, expenses and other liabilities, including borrowed money?

Yes

Amount of money borrowed since date of last assessment.

None

Location of Books and Records

140 Court Street
Maynardville, Tennessee 37683

Exhibit of Risks

	<u>Amount</u>
1. Gross Amount In-Force, December 31, 2007	\$12,241,940
2. Amount Written or renewed During Yr	483,000
3. Total	12,724,940
4. Expirations or Cancellations during 2008	970,900
5. Gross Amount In-force, December 31, 2008	11,754,040
6. Amount Re-insured	0
7. Net Amount In force, December 31, 2008	<u>\$11,754,040</u>

The Company as of December 31, 2008 had a policy count of 553.

Balance Sheet

There follows a statement of assets and liabilities as of December 31, 2008 together with a reconciliation of surplus, as established by this examination.

Assets

	<u>Admitted Assets Per Company</u>	<u>Non-Admitted Assets Per Examination</u>	<u>Net-Admitted Assets Per Examination</u>
Bonds and Long Term Certificate of Deposits	\$279,620	\$3,274	\$276,346
Real Estate	6,450		6,450
Cash and Cash Equivalents	1,327,452		1,327,452
Interest Due and Accrued	5,538		5,538
Furniture, Equipment and Supplies	1,899	1,899	0
Pre-Paid Expenses	<u>283</u>	<u>283</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 1,621,242</u>	<u>\$ 5,456</u>	<u>\$ 1,615,847</u>
Total Admitted Assets			<u>\$1,615,847</u>

Liabilities, Surplus and Other Funds

	<u>Liabilities and Surplus Per Company</u>	<u>Examination Adjustments</u>	<u>Liabilities and Surplus Per Examination</u>
Unearned Premiums	\$34,363		\$34,363
Commissions Payable	519		519
Accounts Payable	219		219
Taxes, Licenses, and Fees	(953)		(953)
Aggregate Write-Ins for Liabilities	<u>1,921</u>		<u>1,921</u>
TOTAL LIABILITIES	36,089		36,089
Surplus as Regards Policyholders	<u>1,579,758</u>	<u>0</u>	<u>1,579,758</u>

TOTALS

\$ 1,615,847

\$0

\$1,615,847

STATEMENT OF INCOME & POLICYHOLDERS' SURPLUS ACCOUNT

Underwriting Income

1. Net Premiums and assessments earned	\$87,524
2. Net losses incurred	40,000
3. Loss expenses incurred including claims adjustment expenses	6,129
4. Other underwriting expenses incurred	
4.1. Commission and brokerage:	
a. Directors and officers compensation and allowances	7,162
b. Agents compensation and allowances	3,550
c. Non-employee compensation and allowances	
d. Commissions received on reinsurance ceded	
e. Net commissions and brokerage	10,712
4.2 Field supervisory expenses	
4.3 Salaries and related items	
a. Employees' Salaries	27,810
b. Directors' and Officers' Salaries	
c. Payroll taxes	2,781
d. Total salaries and related items	30,591
4.4 Directors fees	
4.5 Advertising and subscriptions	
4.6 Boards, bureaus and association dues	
4.7 Surveys and underwriting reports	
4.8 Employee relations welfare	
4.9 Insurance and fidelity bonds	6,112
4.10 Travel and travel items	1,299
4.11 Rent and rent items	
4.12 Equipment	
4.13 Cost or Depreciation of EDP equipment and software	
4.14 Printing and Stationery	
4.15 Postage, telephone and telegraph	
4.16 Legal and auditing fees	2,599
4.17 Taxes, licenses, and fees:	
a. State and local insurance taxes	1,633
b. Insurance department licenses and fees	
c. All other (excluding federal income tax and real estate)	
d. Total taxes, licenses and fees	1,633
4.18 Real estate expenses and repairs	120
4.19 Real estate taxes	254
4.20 Aggregate write-ins for underwriting expenses	4,583
4.21 Total underwriting expenses incurred	57,903
5. Total underwriting deductions	104,032
6. Net underwriting gain or (loss)	<u>(16,508)</u>

Investment Income

7. Net investment Income earned	50,636
8. Net realized capital gains or (losses) from sale or maturity of assets	
9. Net investment gain or (loss)	<u>50,636</u>

Other Income

10. Finance and service charges not included in premiums	
11. Aggregate write-ins for miscellaneous income	100
12. Total other income	<u>100</u>
13. Dividends to policyholders	
14. Net income after dividends to policyholders and before federal income taxes	<u>34,227</u>
15. Federal income taxes incurred	

16. Net income \$ 34,227

Policyholders' Surplus Account

17. Policyholders surplus, December 31 of previous year \$1,556,894
Gains and (Losses) in Surplus

18. Net Income 34,227
 19. Change in net unrealized capital gains or (losses)
 20. Change in non-admitted assets from prior year (5,050)
 21. Cumulative effect of changes in accounting principles
 22. Aggregate write-ins for gains and losses in surplus (6,313)
 23. Policyholders surplus as of statement date \$1,579,758

Assets

Schedule of Bank Deposits

Name of Bank	Amount on Bank Statement	Amount of O/S Checks	Adjustment Items	Balance
ORNL base share	\$12.73			\$12.73
New South Credit	\$5.00			5.00
Enrichment	\$5.00			5.00
Commercial Bank Checking	\$74,614.00			74,614.00
Total	\$74,636.73			\$74,636.73

Schedule and description of all other assets, including real estate, mortgage loans, bonds, etc, and interest or rents due or accrued thereon:

Certificate of Deposits

Commercial Bank	\$87,665
First TN Bank	16,200
First TN Bank	29,996
First TN Bank	15,000
First TN Bank	13,000
First Century	18,137
First Century	20,000
First Century	16,000
First Century	45,000
Citizens	52,190
Citizens	39,573
Citizens	22,180
Home Federal	100,000

FSG	50,000
FSG	44,872
Sun Trust	47,544
Sun Trust	42,000
Sun Trust	10,000
Sun Trust	15,000
Bank of America	62,038
Y-12Credit Union	62,931
Y-12Credit Union	66,071
Community Bank	100,000
TN Bank	72,422
ORNL Bank	100,559
Knoxville TVA	100,000
New South Credit	100,000
Enrichment	100,029
Regions	75,815
Total	\$1,524,222

Real Estate \$6,450

Assets pledged or hypothecated:

None

Comments on claims, borrowed money and other liabilities:

None

Comments on acts of officers and directors; any apparent violations of the Association's By-Laws, or of the laws of the State of Tennessee; general comments regarding the conduct of business:

None

Recommendations:

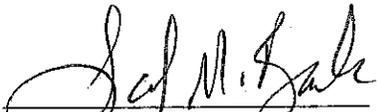
None

Conclusion

It was determined that, as of December 31, 2008 the Company had admitted assets of \$1,615,847 and liabilities of \$36,089. Thus, there existed for the additional protection of the policyholders, the amount of \$1,579,758 in the form of unassigned funds (surplus).

The complete and courteous cooperation of Ms. Ruth Sexton, Secretary/Treasurer, extended during the course of the examination is hereby acknowledged.

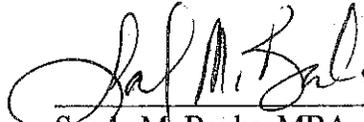
Respectfully submitted,



Sandy M. Banks, MBA
Insurance Examiner in Charge
State of Tennessee

Examination Affidavit:

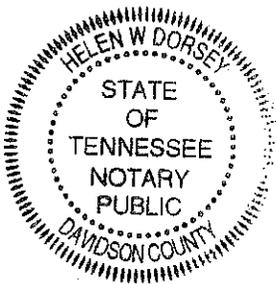
The undersigned deposes and says that she has duly executed the attached examination report of The Farmers Mutual Fire Insurance Company of Union County, Tennessee dated June 25, 2010 and made as of December 31, 2008, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says 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.


Sandy M. Banks, MBA
Insurance Examiner
State of Tennessee

County Davidson
State Tennessee

Subscribed and sworn to before me
this 25th day of
June, 2010.

Helen W. Dorsey
(Notary)



Commission expires:
03/03/2014