REPORT ON EXAMINATION

of the

WORKERS' COMPENSATION SELF-INSURANCE GROUP FUND

of the

TENNESSEE ASSOCIATION OF BUSINESS COMPANY OWNERS' MANAGED PROGRAM

d/b/a

"TABCOMP TRUST"

618 CHURCH STREET, SUITE 330
NASHVILLE, TENNESSEE

as of

DECEMBER 31, 2008

RECEIVED

MAY 26 2010

Dept. of Commerce & Insurance
Company Examinations

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

TABLE OF CONTENTS

Item	Page
Salutation	1
Introduction	1
Scope of Examination	2
History and Organization (includes exhibit of growth and financial history)	3
Trust Agreement and Declaration of Trust and Bylaws	5
Indemnity Agreement	6
Management and Control	7
Corporate Records	10
Management Agreements	11
Administrative Agreement	11
Claims Processing Agreement	11
Fidelity Bond and Other Insurance	11
Statutory Deposits	12
Market Conduct Activities	13
Loss Portfolio Transfer Agreement	14
Loss and Administrative Expense Experience	15
Accounts and Records	16
Pecuniary Interest Tenn. Comp. R. & Regs. ch. 0780-1-54.07(6) and (7)	18
Dividends/Refunds or Distributions	19
Litigation and Contingent Liabilities	20
Subsequent Events	20
Financial Statement	21
Balance Sheet	21
Statement of Operations	22
Reconciliation of Members' Deposits and Distributions Due Members	23
Analysis of Changes in Financial Statement and Comments Resulting from Examination	25
Comments and Recommendations	26
Conclusion	27
Affidavit	28

Nashville, Tennessee
May 25, 2010

Honorable Leslie A. Newman
Commissioner
State of 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

WORKERS' COMPENSATION SELF-INSURANCE GROUP FUND

Of the

TENNESSEE ASSOCIATION OF BUSINESS OWNERS' COMPANY MANAGED PROGRAM
d/b/a
"TABCOMP Trust"

618 CHURCH STREET, SUITE 330
NASHVILLE, TENNESSEE 37219

hereinafter and generally referred to as the "Fund" and "Trust" respectively, 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 on March 11, 2009 in accordance with Tenn. Code Ann. § 50-6-405 and Tenn. Comp. R. & Regs. 0780-1-54-.20. On-site examination work commenced on January 5, 2010. The examination was performed by duly authorized representatives of the Department of Commerce and Insurance, State of Tennessee ("TDCI").

With the Trust having authority to write business only in the State of Tennessee, the examination was not classified as an Association Examination under NAIC Guidelines.

SCOPE OF EXAMINATION

This examination report covers the period from January 1, 2004 to the close of business on December 31, 2008, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination of the financial condition was conducted in accordance with guidelines and procedures contained in the NAIC Financial Condition Examiners Handbook. During the course of examination, assets were verified and valued and liabilities were determined and estimated as of December 31, 2008. The financial condition of the Trust and its amount of solvency were thereby established. Test checks were made of income and disbursement items for selected periods, and a general review was made of the Trust's operations, practices, and compliance with applicable statutes and regulations. All asset and liability items contained in the financial statement of this report were examined and verified with relative emphasis according to their amount and potential impact on solvency.

In addition, the following topics were reviewed:

History and Organization
Trust Agreement and Declaration of Trust and Bylaws
Indemnity Agreement
Management and Control
Corporate Records
Management Agreements
Fidelity Bonds and Other Insurance
Statutory Deposits
Market Conduct Activities
Loss Portfolio Transfer Agreement
Loss Experience
Accounts and Records
Pecuniary Interest
Dividends/Refunds or Distributions
Litigation and Contingent Liabilities
Subsequent Events
Financial Statement

The previous examination was conducted as of December 31, 2003 by authorized representatives of the TDCI. The previous examination resulted in Agreed Order, No. 12.01-077584J dated January 16, 2007 between the TDCI and the Trust which stated the following:

1. TABCOMP shall not appropriate TABSSIT surplus funds for its use;

2. TABCOMP shall return TABSITT surplus funds to the TABSSIT members in the

procedure designated in Exhibit A;

3. TABCOMP shall not violate Tenn. Comp. Rules & Regs. 0780-1-54-.19

4. TABCOMP shall cease further use of drug-free workplace credit unless its members qualify for such credit under Tenn. Code Ann. § 56-9-104;

5. TABCOMP shall cease application of schedule rating program which does not either comply with the rules of the NCCI or approved by the Commissioner;

6. TABCOMP shall cease use of premium volume discount that does not comply with the rules of the NCCI or approved by the Commissioner

7. TABCOMP shall cease the refunding of premiums in violation of Tenn. Comp. R. & Regs. 0780-1-54-.16, including, but not limited to, the single loss sensitive program; and

8. TABCOMP shall cease granting memberships to employers in violation of Tenn. Comp R. & Regs. 0780-1-54-.08(1).

Findings reviewed during the present examination indicated that the Trust was prepared to implement the necessary steps to comply with the above Order if it continued to write business in the 2007 year.

The trade or professional association which pooled its liabilities under the trust is the Tennessee Chamber of Commerce & Industry (TCCI). TCCI notified the Department (TDCI) via letter dated July 17, 2006 of its intention to terminate its sponsorship of TABCOMP, effective January 2, 2007. In accordance with Tenn. Code Ann. § 50-6-405(c), termination has the effect of terminating the existence of the Trust with the Commissioner's approval.

A tentative plan of termination was filed with the TDCI by the Trust on August 11, 2006. During 2007, the Trust did return TABSITT surplus funds to the TABSSIT members in the procedure designated in the above order "Exhibit A" which is discussed further under the caption, "Dividends/Refunds or Distributions."

HISTORY AND ORGANIZATION

In accordance with Tenn. Code Ann. 60-6-405(c)(1), TABCOMP Trust affiliated with the Tennessee Chamber of Commerce & Industry ("TCCI") upon its formation. The TCCI is the state chamber of commerce and the state manufacturers' association. It is involved in federal and state legislation and regulations, human resources, taxation, the environment, health care and other issues that affect the state's business community.

The TCCI was founded in 1912 as the state affiliate of the National Association of

Manufacturers. In 1985, it merged with the Tennessee Taxpayers Association and became affiliate with the U. S. Chamber of Commerce. In 1987, the then Tennessee Manufacturers and Taxpayers Association was renamed the Tennessee Association of Business ("TAB"). In November 2002, TAB was renamed TCCI. TCCI currently has members from all across the state of Tennessee from all facets of business and industry.

TABCOMP Trust was created by members of the TCCI to act as a self-insurance group to provide workers' compensation and employers' liability coverage for Tennessee employees. Membership in the TABCOMP Trust is composed of qualifying members of the TCCI that have pooled their liabilities under the Tennessee Workers Compensation Law.

TABCOMP Trust is the second trust operation sponsored by the TCCI. The original trust was created as the Tennessee Association of Business Selective Self Insurers Trust ("TABSSIT") effective December 31, 1991. An initial group of ten members made contributions equal to 25% of their first year estimated annual net premium for workers' compensation coverage in accordance with Tenn. Comp. R. & Regs. 0780-1-54-.04. The formation of TABSSIT was accomplished by the members with the assistance of the then President of TAB, Mr. Carter Witt and Alexis, Inc., TABSSIT's third party administrator.

Effective December 31, 1998, the Board of Trustees and TABSSIT's Members voted to cease operations, and all of its Members withdrew from TABSSIT and secured workers' compensation coverage primarily through the voluntary market. TABSSIT executed a loss portfolio transfer agreement with Safety National Casualty Corporation, their excess carrier, whereby Safety National assumed 100% of the liabilities and obligations of TABSSIT for all of its specific and aggregate liability for losses, including unpaid losses and loss adjustment expenses from the time period of January 1, 1992 through December 31, 1998. TABSSIT accumulated a positive Members' equity of approximately $3,400,000 as a result of its operations from 1992 through 1998, and returned approximately $2,700,000 in excess reserve funds to its former members after funding the loss portfolio transfer. Additional subsequent refunds have been made to members and are discussed under the caption, "Dividends, Refunds and Disbursements" in the report.

On July 1, 2001, a new Trust was formed under the name of Tennessee Association of Business Company Owners' Managed Program d/b/a TABCOMP Trust. The Trust began accepting new Members and underwriting future risks on the same date. Although a new trust was formed, the operations were identical to TABSSIT, and membership and management was common between both.

TCCI notified the Department (TDCI) via letter dated July 17, 2006 of its intention to terminate its sponsorship of TABCOMP, effective January 2, 2007. In accordance with Tenn. Code Ann. § 50-6-405(c), termination has the effect of terminating the existence of the Trust with the Commissioner's approval.

A tentative plan of termination was filed with the TDCI by the Trust on August 11, 2006. The Trust has not written any premium since the 2006 year and remains in a wind-down phase of its operations.

The Trust at year-end 2006, the last year for which premium was charged and coverage was issued included 55 Members.

The Trust and Safety National Casualty Corporation entered into a Loss Portfolio Transfer Agreement effective June 15, 2007 whereby the Trust transferred and Safety National assumed 100% of the liabilities and obligations of the Trust for all of its specific and aggregate liability for workers' compensation and employers' liability losses, including unpaid losses and loss adjustment expenses, for the period of July 1, 2001 through December 31, 2006, including all existing and incurred but not reported ("IBNR") claims. Further discussion is included under the caption, "Loss Portfolio Transfer Agreement."

The following exhibit depicts certain aspects of the growth and financial history of the Trust since the previous examination, according to financial statements filed with the TDCI.

Fund Year	Members	Net Premium Earned	Total Expenses	Assets	*Equity
2004	95	$6,690,783	$6,726,364	$6,465,110	$1,106,948
2005	68	4,435,111	2,788,474	6,327,460	1,782,919
2006	55	3,709,588	2,923,227	6,556,490	2,605,908
2007	0	(17,085)	3,859,375	1,501,537	1,185,856
2008	0	0	30,868	1,376,684	1,064,463

* Includes distributions due to members which are unpaid (undistributed earnings)

TRUST AGREEMENT AND DECLARATION OF TRUST AND BYLAWS

The Trust was created through the adoption of the Declaration of Trust and Bylaws which was executed on July 1, 2001. The Trust was formed to act as a workers' compensation self-insurance group in accordance with Tenn. Comp. R & Regs., Chapter 0780-1-54 and as authorized by Tenn. Code Ann. § 50-6-405. The Trust Agreement and Bylaws state the purpose of the Trust as follows:

> "to hold and administer the Fund through which its Members can meet and fulfill their obligations and liabilities under the Tennessee Workers' Compensation Act; to form a workers' compensation self-insurance group pursuant to the Act to provide for workers' compensation coverage and for benefits to employees and

dependants of its Members; to provide the maximum allowable advance discounts or dividends on contributions made by Members for workers' compensation coverage; and to contain the cost of providing workers' compensation coverage by developing and refining specialized claim techniques and a loss prevention program."

TABCOMP Trust is an association which is owned by its Members. Membership in the Trust consists of persons, partnerships, corporations and other legal business entities, who are members in good standing of the TCCI and who contribute to the Workers' Compensation Self-insurance Group Fund ("Fund") as a participant in the Trust.

No changes to the Bylaws have been enacted since the prior examination.

The current principal office of the Trust is as follows:

618 Church Street, Suite 330
Nashville, Tennessee 37219

INDEMNITY AGREEMENT

In accordance with Tenn. Comp. R. & Regs. 0780-1-54-.04(2)(e)2, each member is required to execute and be bound by an indemnity agreement as a condition of membership in the Trust. Significant terms that each member agrees to 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 Trust will pay any assessments lawfully levied against it by the State of Tennessee.

- The Agreement is a mutual covenant of assumption of joint and several liability and not a partnership.

- The Board of Trustees will set up, operate and enforce the administrative rules, regulations and by-laws of the Trust and the Fund.

- The Board of Trustees may admit as Members only those who meet the criteria for membership established by the Board of Trustees. The Board of Trustees shall be the sole judge of whether or not an applicant shall be admitted to membership.

- Each Member shall promptly pay all contributions and assessments required by the Trust. This requirement shall also extend to former Members who were such during any part of the year(s) for which the contribution or assessment is due. The amount of such contributions will be determined by applying applicable

experience modification to the rates for the exposure to risk. The required contribution may be reduced by any discount allowed by the Board of Trustees. In the event of a loss fund deficit, the Board of Trustees may adopt any plan it deems equitable for the elimination of such deficit.

- Each Member hereby appoints the designated claims service agent as its agent and attorney-in-fact, to act in its behalf and to execute in its name all such contracts, reports, waivers, agreements and excess insurance contracts as the Claims Service Agent may deem necessary or desirable; and to make or arrange for payment of claims, medical expenses and all other things required or necessary, insofar as they affect its workers' compensation liability under Tennessee law and are covered by the terms of the Trust and the rules and regulations as now provided or as hereafter promulgated by the Board of Trustees.

- Each Member shall give the Trust, the Claims Service Agent, and any of their agents, servants, employees or attorneys, permission and access at all reasonable times to examine the member's work place, plant work, machinery and appliances covered by this Agreement, and shall permit such persons at all reasonable times while such person is a Member and within two years after the final termination of membership to examine the Member's books, vouchers, contracts, documents and records of any and every kind which show or tend to show or verify the contribution which is payable under the terms hereof.

- After all obligations for workers compensation benefits and related expenses have been provided for, the remaining funds of the Trust shall be distributed to Members in such manner as the Trustees shall deem equitable. This includes (i) limiting distributions to Members with a loss ratio not in excess of a level designated by the Board of Trustees, and/or (ii) providing that any Member may share in prorate distribution of dividends regardless of when such dividends are declared so long as such member participated during the year for which distribution is made.

- The Trust will provide each prospective Member at the time of application for membership a written description of any refund plan then in effect.

MANAGEMENT AND CONTROL

The operation and administration of the Trust is the joint responsibility of a Board of Trustees consisting of not more than 15 or less than five (5) individuals. 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 which is in accordance with Tenn. Comp. R. & Regs. ch. 0780-1-54-.06. At least two-thirds of the Trustees are required to be employees, officers or directors of members of the Trust. No affiliate of the administrator or the service agent shall serve as a Trustee. The Board of Trustees shall

elect officers from among its members to serve for terms of five years. The officers of the Trust shall consist of a Chairman, a Vice-Chairman, and a Secretary.

At December 31, 2008 the following persons were serving as members of the Board of Trustees:

Name	Business
Daryl W. Smith, Chairman	Daryl W. Smith, CPA formerly representing Hail and Cotton
Betty J. Johnson, Vice Chairman	Goodwill Industries of Middle Tennessee
Mike Christian, Secretary	Advanced Photographic Solutions
Raymond P. Butler, Jr.	Raymond P. Butler, CPA formerly representing Steel Craft Corporation
Andy Cowan	Rees-Memphis, Inc.
Mike Doochin	Interstate Packaging Company
Mike Griffin	Retired, formerly with International Playing Cards
Ian Smith	WYKO Tire Technology
Deck Sachse	Retired, formerly with Conwood Tobacco Company, LP

The initial Board of Trustees was empowered by the Declaration of Trust and Bylaws and served until the first meeting of the members of the Trust. Thereafter, the Board shall be elected by the members of the Trust. Each Trustee shall serve for a term of five (5) years. A Trustee may resign and be fully discharged from all further duties or responsibilities by giving at least 30 days prior written notice to the Chairman of the Board of Trustees. 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 to be subject to confirmation by the Members at their next regularly scheduled meeting.

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

- The Trustees shall have the power, authority and responsibility for the general supervision and operation of the Trust, including the administration of the Fund, and shall conduct the business activities of "TABCOMP Trust" in accordance with

the bylaws, applicable federal and/or state statutes, and applicable governmental rules and regulations.

- The Trustees shall be responsible for all monies collected or disbursed by the Trust and for the segregation of all monies into the claims fund account and the administrative fund account.

- The Trustees shall receive applications for membership from prospective new members of the Trust and shall approve or disapprove such applications in accordance with rules promulgated by the Trustees. The Trustees may delegate the ministerial authority for membership approval to the Administrator or such other person as they select.

- The Trustees shall be responsible for establishing such trusts, loss funds, or other funds as may be required from time to time by the Rules or as may be established by the Trustees from time to time.

- The Trustees shall be responsible for and shall undertake the posting of such security deposits and/or security bonds as may be required to be posted with the TDCI.

- 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.

- The Trustees shall take all necessary precautions to safeguard the Trust and the other assets of the Trust including the following:

  Designate an administrator as its agent to administer the Fund and the day to day operations of the Trust. In order to accomplish such, the administrator is authorized to select and supervise a service agent. Such administrator shall not be an owner, officer, or employee of the service agent. The Board of Trustees shall delineate in the written minutes of its meetings the other areas of authority delegated to the Administrator.

  Retain control of all monies collected or disbursed for the Trust; all loss funds or funds of any type shall remain in the custody of the Trustees or the administrator; provided, however, that a revolving fund for payment of compensation benefits due and other related expenses may be established for the use of the service agent.

At December 31, 2008 the following persons were serving as members of the Finance Committee:

Raymond P. Butler, Jr., Chairman
Ian Smith
Betty J. Johnson

Certain services are purchased from outside contractors if needed. Such services include accounting services which were formerly supplied by Ms. Mikhel Lindsley. Ms. Lindsley acted in this capacity until her resignation effective the first of 2009. These services are presently supplied by:

Daryl Smith, CPA
618 Church Street, Suite 303
Nashville, TN 37219

Mr. Smith took over these duties in 2009 following his resignation from the Board of Trustees.

CORPORATE RECORDS

The members of the Board of Trustees shall meet at least quarterly at the principal office of the Trust or at such other location as may be acceptable to the Trustees. Special meetings of the Trustees may be called at any time and may be by telephone conference calls or other methods of communication by which all Trustees participating may simultaneously hear each other.

"The Members shall meet annually at the offices of the Trust or at such other place and time as may be determined by the Board of Trustees. Special meetings of the Members may be called at any time by the Board of Trustees shall be called upon the written request of not less than twenty percent (20%) of the Members. Written notice of all meetings of the Members shall be delivered not less than ten (10) days or more than thirty (30) days prior to the meeting, either in person or by written proxy. All actions by, and decisions of, the members shall be by the vote of a simple majority of those attending a duly called meeting at which a quorum is present."

Minutes for the 2006 year which was the last year that the Trust wrote business were reviewed as well as subsequent minutes for 2007, 2008 and 2009 documenting the wind down phase of the Trust's operations. The minutes of the meetings were reviewed and appear to reflect properly the acts of the respective bodies. In all 15 sets of minutes were reviewed.

All members had cancelled their coverage under the operations of the Trust by January 1, 2007.

MANAGEMENT AGREEMENTS

Administrative Agreement:

The Board of Trustees currently acts as the Administrator of the Trust since it has no active business operations requiring the services of an appointed "Administrator."

Cannon Cochran Management Services, Inc. (CCMSI) and Trust did have an Administrator Agreement which was effective October 25, 2004 for a period of 38 months ending December 31, 2007. This contract was terminated during 2007 when the loss portfolio transfer agreement was effected with Safety National Casualty Corporation in June of 2007. The Agreement was on file with the TDCI.

Claim Processing Agreement:

No claim processing is performed by the Trust since these responsibilities were assumed by Safety National under terms of the loss portfolio transfer referenced above.

CCMSI previously performed the claims administration under terms of their Administrator Agreement which terminated in June of 2007 with the loss portfolio transfer.

FIDELITY BOND AND OTHER INSURANCE

The Trust maintained a Not for Profit Individual and Organizational Insurance Policy with National Union Fire Insurance Company of Pittsburg, PA in the amount of $1,000,000 which covered the Directors, Trustees and Officers. The Trust does not have an Administrator due to its wind-down operation which essentially leaves the Trust as a "shell" operation. Management of the Trust's operations is performed by the Board of Trustees.

The policy complies with Tenn. Comp. R. & Regs. 0780-1-54-.07(3)(b) and (c) which exhibit the following requirements under the heading, Administrators:

- "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;"

- 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;"

The policy complies with Tenn. Comp. R. & Regs. 0780-1-54-04(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."

National Union Fire Insurance Company is licensed in the State of Tennessee.

The Trust has additionally pledged $500,000 in securities to the TDCI which is discussed under the caption, "Statutory Deposits."

STATUTORY DEPOSITS

In compliance with statutory requirements, the Trust maintained the following deposits at March 31, 2008.

Where Deposited and Description	Par Value	Statement Value	Market Value
Tennessee			
Charter Cable Systems Inc. CD 1.15% due 6/30/2009	$100,000	$100,000	$100,000
Memphis Tenn Elec Sys 3.00% due 12/1/2009	100,000	100,000	101,623
Roane County TN 3.00% due 5/1/2009	100,000	100,000	99,852
Sullivan County TN 2.65% due 4/1/2009	100,000	100,000	100,368
Tidelands Bank CD 2.65% due 1/20/2009	100,000	100,000	100,000
Total	**$500,000**	**$500,000**	**$501,843**

The current requirement of Tenn. Comp. R. & Regs. 0780-1-54-.04(3)(e) as amended March, 2009 states:

> "The pool has deposited with the Commissioner, in a form approved by the Commissioner, one of the following types of security in the amount of one hundred thousand dollars ($100,000) to be used for the payment of claims in the event the pool becomes insolvent:
>
> 1. Negotiable securities;
> 2. Certificates of deposit;
> 3. Letters of credit; or
> 4. Surety bonds."

MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Trust as of December 31, 2008, in conjunction with this examination. The following items were addressed:

Policy Forms and Underwriting Practices:

A review was made of the Trust's filed underwriting policy and indemnity agreement.

The last year in which premium was written was 2006. No active polices remain as of December 31, 2008.

Advertising:

The Trust is in the wind-down phase of its business affairs and does not engage in any advertising activities. No policies are currently written on behalf of the Trust.

Claims Review:

The Trust did not have any claim files which it was administering as of December 31, 2008. All claims were assumed by Safety National Casualty Corporation under a Loss Portfolio Transfer Agreement effective as of June 15, 2007. Further discussion is included under the caption, "Loss Portfolio Transfer Agreement."

Cannon Cochran Management Services, Inc. (CCMSI) which was the third party administrator which processed the claims on behalf of the Trust dating back to 2004 now administers the claims which were assumed by Safety National on their behalf.

Policyholder Complaints:

Inquiries made to the various sections within the Division of Insurance indicated no specific regulatory concerns with the Company during the period under examination. No unusual practices or transactions warranting significant concern with regard to the Trust were noted.

Privacy of Non-Public Personal Information

The Trust's members (policyholders) are commercial businesses. Tenn. Comp. R. & Regs. 0780-1-72, "Privacy of Consumer Information Regulations" includes in the definition of "Scope" the following:

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

LOSS PORTFOLIO TRANSFER AGREEMENT

The Trust and Safety National Casualty Corporation entered into a Loss Portfolio Transfer Agreement effective June 15, 2007 whereby the Trust transferred and Safety National assumed 100% of the liabilities and obligations of the Trust for all of its specific and aggregate liability for workers' compensation and employers' liability losses, including unpaid losses and loss adjustment expenses, for the period of July 1, 2001 through December 31, 2006, including all existing and incurred but not reported ("IBNR") claims.

The policies covered additionally included all specific and aggregate excess workers' compensation and employers' liability agreements issued by Safety National covering the Trust for excess of loss coverage and/or all other agreements, policies, binders, contracts, certificates and other obligations, whether oral or written, of insurance, issued by other insurers, pertaining to liabilities assumed hereunder, including the following agreements or policies:

Insurer	Agreement No.	Period of Agreement
Safety National	AGC 5527 TN	7/1/01-02
Safety National	AGC 5527 TN	7/1/02-1/1/03
Safety National	AGC 6367 TN	1/1/03-04
Safety National	AGC 7718 TN	1/1/04-05
Safety National	AGC 8950 TN	1/1/05-06
Safety National	AGC 8950 TN	1/1/06-07

In consideration for the agreement to assume the liabilities of the Trust, Safety National was paid the sum of $3,550,463. As a basis for the consideration received, Safety National shall reimburse the Trust for all losses paid (excluding unallocated loss adjustment expenses) after April 30, 2007.

The agreement was signed by the Trust on June 13, 2007 and by Safety National on June 15, 2007.

Safety National Casualty Corporation is licensed and authorized to do business in the State of Tennessee.

Safety National provided excess of loss coverage to the Trust in prior years. A summarization by policy year follows:

Policy Year	Specific Retention	Aggregate Indemnity	Aggregate Retention	Insurer
7/1/01-12/31/02	$250,000	$ 3,000,000	80% of man. premium	Safety National
1/1-12/31/03	300,000	3,000,000	85% of man. premium	Safety National
1/1-12/31/04	300,000	3,000,000	85% of man. premium	Safety National
1/1-12/31/05	350,000	3,000,000	95% of man. premium	Safety National
1/1-12/31/06	375,000	3,000,000	95% of man. premium	Safety National

At 12/31/2008, 12 claims remained with open case reserves.

LOSS AND ADMINISTRATIVE EXPENSE EXPERIENCE

Loss Experience

Year	Net Premiums Earned	Incurred Losses & LAE	Underwriting Ratio	General & Adm. Exp.	Gen. & Adm. Exp. to Prem.	Combined Ratio
2004	$6,690,783	$4,123,490	61.6%	$2,602,874	38.9%	100.5%
2005	4,435,111	914,248	20.6%	1,874,226	42.3%	62.9%
2006	3,709,588	1,226,449	33.1%	1,696,778	45.7%	78.8%
2007	(17,085)	(2,181,848)	n/a%	3,859,375	n/a%	n/a%
2008	0	0	n/a%	30,868	n/a%	n/a%

General and administrative expense for years 2004 thru 2006 included the cost of excess of loss coverage. In 2007, the claims expense decreased as a result of reducing claims liability to zero due to the loss portfolio transfer (LPT.) The LPT expense of $3,550,463 is reflected in the general and administrative expense for this fund year.

A review summary of administrative expense for year 2006 through 2008 based on filings made by the Trust with the TDCI follow on page16 of this report. The comparison reflects the cost of operations in the wind down phase of the Trust's operations.

Administrative Expense Experience (Following Exit from the Market)

	2008	2007	2006
Accounting Fees	$4,294	$3,287	$0
Actuarial Fees	0	3,250	9,500
Administrator Fee	0	14,859	445,846
Agent Fee	0	(1,367)	298,052
Attorney Fee	9,400	24,000	52,530
Bad Debt	0	31,225	0
Insurance (D&O bond	13,525	14,925	7,762
Depreciation	0	25,504	55,710
Salary & Benefits	0	132,019	150,317
Independent Audit Fees & Tax Preparation	2,718	37,500	43,169
Meetings	162	4,466	4,460
Office Expenses	66	6590	7,755
Premium Audit	0	9,634	13,021
Premium Tax	0	(410)	88,930
Loss Portfolio Transfer	0	3,550,463	
Rent	0	3,600	80,152
Sponsor Fee	0	(171)	37,054
Excess Insurance	0	0	335,223
NCCI	0	0	4,350
Reimbursements	0	0	(68,332)
Office Lease Assumption	0	0	78,965
Loss Control	0	0	33,006
Data Processing	0	0	18,016
Rounding		1	(1)
Bank Fees	703	0	0
Total Admin Expenses	$30,868	$3,859,375	$1,695,485

ACCOUNTS AND RECORDS

During the course of examination, such tests and audit procedures were made as were considered necessary, including review of the detail general ledger for the 2008 year. The 2008 and 2007 year general ledger trial balances were reconciled with copies of the unaudited financial statements filed with the TDCI.

For the 2006 and prior years, an annual audit of the Company was performed by an

independent accounting firm, Shores, Tagman, Butler & Company, P.A. Review was made of the 2004, 2005 and 2006 audited statements prepared by the firm in order to verify the reasonableness of the financial presentation for the years since the prior examination. The Trust indicated that the general ledgers for those years had been filed and sent to offsite storage which would require the Trust having to hire a person to retrieve and research the files in order to obtain copies.

Accounting records conform to generally accepted insurance accounting practices and appear to properly reflect the operations during the period under examination and the status of the Trust at the date of examination.

The annual audited statement filing was exempted by the TDCI for the 2007 and 2008 years. A formal letter dated July 1, 2009 granted exemption from filing annual audited financial statements as long as the following conditions are met:

- The Trust's liabilities remain transferred to Safety National Casualty Corporation
- Safety National continues to pay the TABCOMP claims
- TABCOMP files unaudited financial statements annually
- Minimal miscellaneous fees are the only expenses of TABCOMP
- Excess member funds will continue to be held by TABCOMP
- TABCOMP will still maintain member records in the unlikely situation an assessment is ever needed

The Trust currently files an unaudited financial statement with copies of the supporting bank statements for documentation.

Tenn. Comp. R. & Regs. 0780-1-54-.09(1) as revised effective March 16, 2009 states:

(1) Each pool shall submit to the Commissioner an unaudited statement of financial condition on or before April 1 of each year for the pool's prior fiscal year. Such statement shall be signed by the administrator of the pool and the chairman of the board of trustees.

Currently, the referenced statement is filed with the Analysis Unit of the Financial Affairs Section of the Insurance Division.

Books and records of the Trust are kept at their office location which is also the office of their attorney, Farris Mathews Bobango, PLC and Daryl W. Smith, CPA who provides bookkeeping services for the Trust on a monthly contract basis:

618 Church Street
Suite 300 (Attorney office)
Suite 303 (CPA office)
Suite 330 (Trust office)
Nashville, TN 37219

Claims records are kept at the office of Cannon Cochran Management Services, Inc. (CCMSI) (Third Party Administrator) who administers the claims on behalf of Safety National under terms of the Loss Portfolio Transfer located at:

402 BNA Drive
Suite 106
Nashville, Tennessee 37217

The Trust maintained cash and cash equivalents on deposit at banks in excess of federally insured amounts. No losses have been experienced in such accounts and management believes the Trust is not exposed to any significant credit risk related to cash and cash equivalents.

PECUNIARY INTEREST

Tenn. Comp. R. & Regs. 0780-1-54.07(6) and (7) state:

> "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, coprinciple, 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.
>
> "No administrator or its employees 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."

The current Chairman of the Board of Trustees certifies and documents that to the best of his knowledge and belief that the Trust is in compliance with the rule.

REFUNDS OR DISTRIBUTIONS

Pursuant to Tenn. Comp. R. & Regs. 0780-1-54.15, any monies in excess of the amount necessary to fund all obligations for that fund year may be declared to be refundable by the board of trustees not less than 18 months after the end of the fund year with the written approval of the Commissioner. If a refund is declared and approved by the Commissioner, 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.

The Trust has not distributed any refunds to members since January of 2004. The Trust's Board on November 7, 2003, approved the distribution of a "dividend totaling $300,000" which was paid in January, 2004. The distribution was from the 2002 policy year operations and was approved by the TDCI prior to payment as discussed in the previous Examination Report made as of December 31, 2003.

TABSSIT Member Distributions:

TABCOMP's predecessor, TABSSIT, ceased operations effective December 31, 1998 and executed a loss portfolio transfer agreement with Safety National Casualty Corporation, their excess carrier, as was discussed in this report under the caption, "History" on page four. TABSSIT accumulated a positive Members' equity of which approximately $2.7 million was returned after the loss portfolio transfer was consummated. The previous examination established a $890,476 liability for the payable to TABSSIT members. Prior to that time, the TABSSIT monies were accounted for as a part of the member equity of the Trust.

The previous examination resulted in Agreed Order, No. 12.01-077584J dated January 16, 2007 between the TDCI and the Trust which stated the following pertaining to TABSSIT:

"2. TABCOMP shall return TABSITT surplus funds to the TABSSIT members in the procedure designated in Exhibit A;

TABSSITT Distribution Formula

1. Take the sum of the loss years and prorate the total loss to the profitable years proportional to each year's profit prorated to the sum of the profitable years.
2. Subtract the loss from each individual profitable year.
3. For each fund year remaining, prorate the remaining profit to the total available distribution to include money already distributed.
4. Take the results from #3 and prorate to each member based on that member's premium to the total premium of each fund year.
5. Add the results from #4, totaling each member's individual years together.
6. Subtract from #5 money already distributed to individual members. Those members with a zero or negative balance will receive no further distribution.
7. Take the total of the remaining members and prorate what is to be distributed

based on those members distribution to total distribution from #6.

8. Subtract administrative fee (9% of distribution) from #7
9. From #8, sum the total of the money to be distributed to those members who are no longer in business.
10. Prorate the total from #9 and distribute to the members who are still in business based upon the total due each member divided by the total distributed. Add this amount to the result in #8 to those still in business. This will be the total distribution."

Payment in 2006	$80,000
Payment in 2007	539,378

The remaining member distribution due TABSSIT members is $312,221. The Trustees have elected not to make the final disbursal with claims still remaining open in the loss portfolio transfer made to Safety National.

LITIGATION AND CONTINGENT LIABILITIES

As of December 31, 2008, the Trust has committed no reserves to cover any contingent liability. No pending legal action or potential legal action involving the Trust are currently known to exist that could have a material adverse affect on its financial examination as of the examination date.

SUBSEQUENT EVENTS

Since the Trust no longer has active members, the Board is in the process of preparing a letter to be sent to all former members to document the wind down phase of its operations.

FINANCIAL STATEMENT

There follows a balance sheet and a statement of operations and fund balance as of December 31, 2008, together with a reconciliation of member deposits and distributions due to members for the period under review, as established by this examination:

BALANCE SHEET

Assets	
Cash and cash equivalents	$ 874,890
Investments in debt securities	500,000
Accrued investment income	1,794
Total Assets	$1,376,684
Liabilities and Members' Equity	
TABSSIT distribution payable	$ 312,221
Total Liabilities	312,221
Membership Distribution (2002)	3,015
Member Distributions unpaid	1,063,595
Income (loss) for current year	(2,147)
Total Members' Equity	1,064,463
Total Liabilities and Members' Equity	$1,376,684

Equity Includes distributions due to members (undistributed earnings)

STATEMENT OF OPERATIONS

Revenues	
Premiums Earned	$ 0
Net investment income	28,721
Total Revenues	28,721
Expenses	
Loss and loss adjustment	0
Administration and association royalty fees	0
Premium taxes	0
Professional fees (attorney)	9,400
Accounting Services & Audit	4,294
Audit & Tax Preparation	2,718
D&O Insurance	13,525
Bank Fees	703
Other expenses	228
Total Expenses	30,868
Income Before Member Distributions	(2,147)
Member Distributions	0
Income (Loss) Before Income Taxes	(2,147)
Income Tax	0
Net Income (Loss)	$ (2,147)

RECONCILIATION OF MEMBERS DEPOSITS AND DISTRIBUTIONS DUE TO MEMBERS
(Members Equity)

	2004	2005	2006	2007	2008
Total members' equity prior year	*$852,839	$1,106,948	$1,782,919	$2,605,908	$1,185,856
Net income (loss) before member distribution current fiscal year	46,279	1,756,127	893,857	(1,545,900)	(2,147)
Member distribution (unpaid) transferred to separate line item (expense per income statement) in 2004	(181,786)				
Reclass to TABSSIT payable (resulting from examination by TDCI)		**(919,391)			
Member distribution payable liability at year end reclass	389,616				
Surplus contribution reclass from TABSSIT payable		28,915			
Unrealized gain (loss) on securities – add to member distribution	(25,357)	(54,173)	54,981		2,054
Reclass adjustment for losses included in net income	1,844				
Reduction of acctural of excess earnings as distributable to members	23,513				
Net loss from 2004 year included in 2005 member distribution		(135,507)			
Reclass to member distribution					3,015
Difference tax receivable from prior year to actual collection in 2008					1,533
Current federal income tax expense	6,526	2,205	(324)	0	0
Deferred federal income tax expense or benefit	(6,525)	(2,205)	(125,525)	125,848	(125,848)
Total members equity, December 31	$1,106,948	$1,782,919	$2,605,908	$1,185,856	$1,064,463

*In 2004, the audited statement equity took into account that the member distribution

payable was a liability and not considered equity. It is included for member equity for purposes of this examination and is treated as such in the table illustrated on the previous page.

**The Trust established a payable to TABSSIT members as a liability during 2005. Previously, the amount had been included as member equity for the Trust.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS 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 AND COMMENTS RESULTING FROM EXAMINATION" AS THEY AFFECT SURPLUS

All noted differences were within tolerable error and planning materiality established for examination purposes.

COMMENTS AND RECOMMENDATIONS

Comments:

- The Board of Trustees has elected not to disburse the final refund to TABSSIT members until Safety National Casualty Corporation has closed the open claims under the Loss Portfolio Transfer Agreement dating back to 1998 which covered the TABSSIT business.

- The Trust should continue its efforts to prepare a formal letter to its former members to document the wind down phase of its operations and advise of the financial position of the Trust.

- The Trust should continue to file the unaudited financial report for the fiscal year which ends each December 31 with the supporting bank statements. These documents are in lieu of the audited financial statement during its wind down phase of operations. The audited financial statement has been exempted by the TDCI via letter dated July 1, 2009. The letter has the condition that Minimal miscellaneous fees are the only expenses of TABCOMP; therefore, comparison of administrative expenses incurred during the wind down phase of operations is exhibited on page 16 under the caption, "Loss and Administrative Expense Experience."

Recommendations:

- It is recommended that the Trust should continue its discussions with the TDCI in order to implement the "Termination of Certificate of Authority" pursuant to Tenn. Comp. R. & Regs. 0780-1-54-.23(2) which states:

  > "The Commissioner shall not grant the request of any pool to terminate its certificate of authority until such time as it has demonstrated to the Commissioner that it has made satisfactory plans to meet all outstanding workers' compensation obligations and liabilities. Such obligations shall include both known claims and expenses associated therewith and claims incurred but not reported and expenses associated therewith."

- It is recommended that the Trust effect a new custodial agreement to segregate the $200,000 in money market funds held in the Custodial Account for the State of Tennessee Deposit with Regions Bank which is in excess of the $500,000 in securities pledged under the Deposit Agreement in order to have access to the funds or move the funds to a money market account which is not under a custodial arrangement.

  The Trust should insure that any new custodial agreement meets the requirements of Tenn. Comp. R. & Regs. 0780-1-46 which contains a model custodial agreement as Appendix A.

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 Tennessee Association of Business Company Owners' Managed Program d/b/a "TABCOMP Trust."

In such manner, it was determined that, as of December 31, 2008, the Trust had assets of $1,376,684 and liabilities of $312,221. Thus, there existed for the additional protection of the policyholders, the amount of $1,064,463 in the form of member distribution and member distribution payable (undistributed earnings.)

The courteous cooperation of the officers and employees of the Trust extended during the course of the examination is hereby acknowledged.

Respectfully submitted,

Keith M. Patterson
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Tennessee Association of Business Company Owners' Managed Program d/b/a "TABCOMP Trust" dated May 25, 2010, and made as of December 31, 2008, on behalf of the Department of Commerce and Insurance, State of Tennessee. Deponent further says 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.

Keith M. Patterson
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

Subscribed and sworn to before me

this 25th day of

May, 2010

Notary Kerry P. Rahm

County Davidson

State TN

Commission Expires 1/13/13

KERRY P. RAHM
STATE OF TENNESSEE NOTARY PUBLIC
COUNTY OF DAVIDSON

BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

IN THE MATTER OF:	)	
	)	**No.: 10-039**
WORKERS' COMPENSATION SELF-INSURANCE	)	
GROUP FUND OF THE TENNESSEE ASSOCIATION	)	
OF BUSINESS COMPANY OWNERS' MANAGED	)	
PROGRAM d/b/a TABCOMP TRUST	)	

RECEIVED
NOV 1 0 2010
Dept. of Commerce & Insurance
Company Examinations

ORDER ADOPTING EXAMINATION REPORT WITH
MODIFICATIONS AND DIRECTIVES

Pursuant to Tenn. Code Ann. §§ 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (the "Division") has examined certain affairs of Workers' Compensation Self-Insurance Group Fund of the Tennessee Association of Business Owners' Company Managed Program d/b/a TABCOMP Trust (hereinafter referred to as "TABCOMP Trust" or the "Company"), an insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31st day of December, 2008, the examiner-in-charge filed with the Division, on the 25th day of May, 2010, a verified, written Report on examination, and a copy of that report has been sent to the Company. (The Report on examination of the Workers' Compensation Self-Insurance Group Fund of the Tennessee Association of Business Owners' Company Managed Program d/b/a "TABCOMP Trust" is attached hereto and marked as Exhibit A). The Division received no written rebuttal to said Report on examination from the Company.

Pursuant to Tenn. Code Ann. § 56-1-411, said Report on examination regarding the affairs of the Workers' Compensation Self-Insurance Group Fund of the Tennessee Association of Business Owners' Company Managed Program d/b/a TABCOMP Trust filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 25th day of May, 2010, is

hereby **ADOPTED** as filed with the following **MODIFICATIONS** and **DIRECTIVES**:

The Report on Examination is hereby **MODIFIED** by deleting the first two paragraphs captioned "Recommendations" on page 26, pertaining to discussions in order to implement the "Termination of Certificate of Authority" pursuant to Tenn. Comp. R. & Regs. 0780-1-54-.23(2).

The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-3-112 and Tenn. Comp. R. & Reg. § 0780-1-46 by establishing a proper custodial agreement, with a bank that is a member of the federal reserve system, that meets the requirements of Tenn. Code Ann. § 56-3-112 and Tenn. Comp. R. & Reg. § 0780-1-46. Furthermore, all funds held through a custodial agreement that does not meet the requirements of Tenn. Comp. R. & Reg. § 0780-1-46 are to be reported as non-admitted assets on future annual statement filings per Tennessee Regulation 0780-1-46-.03(4).

The adoption of this Report on examination shall not preclude the Department from imposing sanctions against the Company for potential violations of the Tennessee Insurance Law which may be revealed therein, it being the intent of this Order Adopting Report On Examination With Directives is merely to adopt the Report on examination filed by the examiner-in-charge.

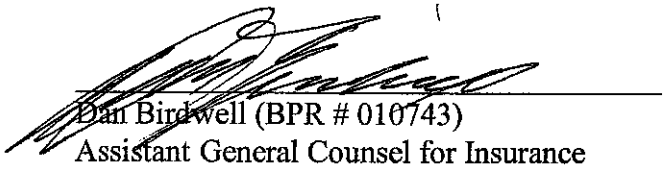
It is so **ORDERED**.

ENTERED this the 8th day of November, 2010.

Leslie A. Newman

Leslie A. Newman, Commissioner
Department of Commerce and Insurance
State of Tennessee

PREPARED FOR ENTRY:



Dan Birdwell (BPR # 010743)
Assistant General Counsel for Insurance
Department of Commerce and Insurance
Davy Crockett Tower, Second Floor
500 James Robertson Parkway
Nashville, Tennessee 37243
(615) 532-3589

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report With Directives has been messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, Horace Gaddis, Insurance Examinations Director, Department of Commerce and Insurance, and Mark Jaquish, Insurance Analysis Director, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Workers' Compensation Self-Insurance Group Fund of the Tennessee Association of Business Owners' Company Managed Program d/b/a TABCOMP Trust, 618 Church Street, Suite 330, Nashville, TN 37219, on this 10th day of November, 2010.

Dan Birdwell
Certifying Attorney