



**Report on Examination**  
of the  
**Tennessee Insurance Company**

Nashville, Tennessee

as of

**December 31, 2011**

Department of Commerce and Insurance

State of Tennessee

Nashville, Tennessee

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Dept. of Commerce & Insurance  
Company Examinations



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Nashville, Tennessee

January 18, 2013

Honorable Julie Mix McPeak  
Commissioner of Commerce and Insurance  
State of Tennessee  
500 James Robertson Parkway  
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 risk-focused financial examination was made of the condition and affairs of

**Tennessee Insurance Company**

**4400 Harding Road**

**Nashville, TN 37205**

(Hereinafter referred to as the "Company") as of December 31, 2011, and a report thereon is respectfully submitted as follows:

**Scope of Examination**

The Company was last examined as of December 31, 2006, by the State of Tennessee Department of Commerce and Insurance (Department). The current financial examination covers the intervening period to and including the close of business on December 31, 2011, and incorporated such subsequent events and transactions as were deemed pertinent to this report.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook and Tennessee Insurance Statutes and Regulations. The Handbook requires that we plan and perform the examination 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 assessments of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All original books and records were kept at 4400 Harding Road, Nashville, TN, and the corporate records have since been transferred to 208 Sunset Drive, Suite 101, Johnson City, TN, 37604. All accounts and activities of the Company were considered in accordance with the risk focused examination process.

**Previous Examination Findings:**

The previous examination of the Company was made as of December 31, 2006, and resulted in a change to the Company's surplus account as follows:

During 2007, the Company's surplus fell to \$965,804 which was below the required minimum of \$1,000,000 required under Tenn. Code Ann. § 56-2-115. On November 19, 2007, the Department approved the Company's redemption of capital stock in the amount of \$1,765,700. Under this agreement, the parent company, Ingram Industries Inc. (Ingram), contributed the redemption proceeds back to Company, and the Company placed the proceeds in the Gross Paid in and Contributed Surplus account.

The current examination review of company records and surplus showed that corrective action was taken by the Company and the Company's surplus during the current period under examination was maintained in accordance with Tenn. Code Ann. § 56-2-114 and 56-2-115 (see Capital and Surplus chart on page 18).

This examination, which began July 30, 2012, covered the intervening period from January 1, 2007, through and including December 31, 2011, and was conducted by a representative of the Department.

An examination was also made into the following matters:

- Company History
- Management and Control
- Territory and Plan of Operation
- Statutory Deposits
- Accounts and records
- Market Conduct Activities
- Subsequent Events
- Financial Statement

Such tests and reviews were conducted as deemed necessary or appropriate for the purposes of this examination. This report was written by exception, except for certain items of regulatory significance, and those matters examined and found to be substantially in compliance with statutes will not be commented on further. Events subsequent to the December 31, 2011, examination date were included where relevant and appropriate. The failure to identify or criticize improper or noncompliant business practices in this state does not constitute acceptance of such practices.

The Company was given an exemption by the Department from filing both actuarial opinions and CPA audited financial reports for the years 2010 and 2011.

### **Company History**

On January 16, 1930, the Company was incorporated under the laws of Tennessee as a property and casualty insurance company, and commenced business on March 1st of the same year. The Company was owned by J. E. Lutz & Company, Inc., (Lutz), as the sole shareholder.

On November 26, 1979, Ingram purchased all outstanding shares of the Company from Lutz and Ingram became the Company's sole shareholder.

Effective October 15, 1984, the Company acquired the assets and assumed all the contracts and liabilities of Bluewater Insurance Ltd. (BIL), a Bermuda Corporation which was a wholly owned subsidiary of Ingram. The Company then managed the run-off of the long-tail casualty reinsurance premiums and losses acquired from BIL.

Prior to October, 1999, the Company served as a captive insurance company for its parent, Ingram, by providing marine hull & cargo coverage and multiple liability coverage and by reinsuring Ingram's worker's compensation carrier. In 1995, the Company began insuring standard and non-standard automobile risks in Tennessee, by writing its automobile business through a former affiliate, Permanent General Companies, Inc. (PGC). PGC later established Permanent General Assurance Corporation of Ohio (PGAC-OH) to write and renew the non-standard auto insurance business that the Company had been writing. The Company's customers were then given the option to either renew with PGAC-OH, or seek insurance elsewhere.

On December 2, 2004, PGC were sold to PGC Holdings, Inc., a holding company owned by the Capital Z Investment Group. The sale of PGC included the auto business previously written and administered by the Company. Following the sale of PGC, the Company remained an insurance subsidiary of Ingram.

A Reinsurance and Administrative Agreement was entered into between the Company and PGC's subsidiary, Permanent General Assurance Corporation (PGAC), where the Company ceded 100% of its auto writings and liabilities to PGAC through December 31, 2005. As a result of this agreement the Company no longer wrote any new business (effective April 2002) or renewal business (effective December 2005), and was in complete run-off since January 1, 2006.

During 2009, the Company commuted its assumed reinsurance contracts (that were acquired from BIL) to Everest Re for approximately \$4.5 million. This significantly reduced its reserves from about \$6.9 million to \$2.8 million.

During the period under examination, the Company was in total run-off with no new business or premiums written. The Company's run-off is reflected in the Company's lack of development, as taken from annual statement filings, depicted below.

<u>Date</u>	<u>Gross Premiums Written</u>	<u>Net Premiums Written</u>	<u>Net Income</u>	<u>Admitted Assets</u>	<u>Total Liabilities</u>	<u>Capital and Surplus</u>
*12/31/06	0	0	(909,559)	11,769,371	7,796,529	3,972,842
12/31/07	0	0	(502,966)	11,644,015	8,174,073	3,469,942
12/31/08	0	0	(584,203)	10,733,340	8,223,367	2,509,973
12/31/09	0	0	(237,384)	6,573,356	4,138,376	2,434,980
12/31/10	0	0	654,100	3,698,737	425,119	3,273,618
12/31/11	0	0	126,926	2,442,076	41,532	2,400,544

\* previous examination

## Management and Control

### Holding Company System

During the period under examination the Company and its parent Ingram, were members of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-201. The Company's ultimate parent, Ingram, filed Holding Company Registration Statements annually as required by Tenn. Code Ann. § 56-11-205. All relationships and related transactions were verified to have been properly reported in the annual Holding Company Registration Statement submitted to the Department. A organizational chart is attached to this report at page 21.

### Corporate Records

The minutes of the meetings of the Stockholders, Board of Directors, and Investment Committee were reviewed for the period under examination. The minutes were found to be complete, containing the necessary detail, and adequately reflected the acts of the respective bodies.

### Shareholders

As of December 31, 2011, the Company was wholly owned by Ingram, whom was the sole shareholder of all outstanding shares of the Company's common stock. During the period under examination, the Company received approval from the Department to pay one dividend to shareholders in the amount of one million dollars (\$1,000,000). This dividend was paid in February, 2011.

### Board of Directors

Management of the Company was vested in its Board of Directors (Directors). Directors were appointed in accordance with the Company's Bylaws as amended on January 8, 1985, which states, "Directors shall be elected to serve for the ensuing year and until his successor shall be elected and shall qualify". At December 31, 2011, the following persons were duly elected by the Shareholders and serving as Directors:

<u>Name</u>	<u>Principal Occupation/Affiliation</u>
John R. Ingram	Chairman of the Board, Ingram Industries Inc.
Orrin H. Ingram	President and Chief Executive Officer, Ingram Industries Inc.
Jeffrey K Belser	Treasurer, Ingram Industries Inc.

### Company Officers

The Company's Bylaws provide that the Directors will elect Officers of the Company which shall include a President and a Secretary, and may include the Chairman of the Board of Directors as an Officer. The Bylaws also provide that additional officers may be chosen from time to time at the discretion of the Directors. On January 27, 2011, the following Officers were elected by the Directors and were serving at December 31, 2011, in accordance with the Company's Bylaws:

<u>Name</u>	<u>Title</u>
Orrin H. Ingram	Chairman of the Board
Mary K. Cavarra	President
John S. Hayes	Assistant Vice President, Reinsurance
Jeffrey K. Belser	Treasurer
William P. Morelli	Secretary
Janet C. Ingle	Assistant Secretary
Eleanor G. McDonald	Assistant Secretary

### Investment Committee

The Bylaws provide that the Directors may appoint, from time to time, from its own members or otherwise, committees of one or more persons, for such purposes and with such powers as the Directors may determine. At December 31, 2011, the Directors appointed an investment committee consisting of the following persons:

Jeffrey K. Belser, Chairman  
Orrin H. Ingram  
John R. Ingram  
Mary K. Cavarra

### **Employees**

The Company had no employees of its own. All Company day-to-day operations and services were provided by Ingram in accordance with the below listed Management Services Agreement.

### **Management Services and Income Tax Allocation Agreement:**

Effective August 28, 1987, the Company entered into a Management Services and Income Tax Allocation Agreement with its parent, Ingram, whereby Ingram provided management services to the Company for a fee of \$75,000 per annum with the fee reviewed and adjusted annually. The agreement was to remain in effect until cancelled by either party with 30 day written notice. Additionally, the agreement calls for the Company to file combined federal income tax and state and local tax returns with Ingram when "permissible and advantageous". It was agreed that the amount of taxes payable by or refundable to the Company would not be any greater or less than if the Company had filed a separate tax return.

### **Reinsurance Agreement:**

The Company entered into a Reinsurance and Administration Agreement on December 2, 2004, with former affiliate Permanent General Assurance Corporation (PGAC), whereby the Company ceded liabilities and obligations under all Company private passenger auto insurance policies to PGAC. PGAC agreed to perform all of the Company's administrative duties relating to the policies and the Company transferred to PGAC all of its rights with respect to all reinsurance agreements in force.

### **TERRITORY**

The Company was licensed to transact the business of property, casualty, vehicle and surety insurance in only the State of Tennessee. The Company's certificate of authority was reviewed and found to be valid. On December 2, 2004, the Company ceded its entire book of private passenger auto insurance and only managed the

run-off of the long-tail, casualty reinsurance premiums and losses acquired from BIL during the period under examination.

### PLAN OF OPERATION

The Company neither wrote nor renewed any business and was in complete run-off during the period under examination.

### STATUTORY DEPOSITS

In compliance with statutory requirements, the Company maintained the following deposit for the benefit of all policyholders, claimants, and creditors of the Company as of December 31, 2011:

<u>Jurisdiction</u>	<u>Description of Security</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Par Value (Dollars)</u>
Tennessee – Department of Insurance	Montgomery Cnty, TN 4.75% Due 05/01/14 CUSIP# 613664H53	152,021	158,781	150,000
	Metro Govt. Nashville & Davidson Cnty, TN 5.50%, Due 05/15/2012 CUSIP# 592030UL2	130,366	132,471	130,000
	Colorado Water & Power, CO 5.00%, Due 9/1/2013 CUSIP# 19679HCN0	102,461	107,548	100,000
	Spring-Ford Area Sch Dist, PA 5.00%, Due 09/01/2018 CUSIP# 849534KF8	51,694	56,487	50,000
	Jackson, TN Water & Sewer Rev. 7.20%, Due 07/01/2012 CUSIP# 468826DD1	4,984	5,159	5,000
	Johnson City, TN 4.75%, Due 06/01/2014 CUSIP# 478251CM1	5,017	5,462	5,000
	<b>TOTAL</b>	<b><u>\$446,543</u></b>	<b><u>\$465,908</u></b>	<b><u>\$440,000</u></b>

### **ACCOUNTS AND RECORDS**

During the course of examination, such tests and audit procedures were made as were considered necessary, including verification of postings, extensions and footings. General ledger trial balances were reconciled with copies of annual statements for all years under examination. 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 Company at the date of examination. Intercompany balances between the Company and Ingram were settled in a timely manner in accordance with the Management Services and Income Tax Allocation Agreement.

### **MARKET CONDUCT ACTIVITIES**

With the Company in total run-off with no premiums written, the examination of the Company's compliance with market conduct requirements was limited to a review of Company's Complaint Index as provided by the NAIC, and a review of Company records as maintained by the Department.

The Company's Complaint Index was reviewed where it was found that the Company had no confirmed complaints and zero premiums written during the entire period under examination. Company records maintained by the Department were reviewed and Department managers were queried as to any concerns about the Company. As a result of this review process no concerns were identified; therefore, no further examination was conducted in this area.

### **SUBSEQUENT EVENTS**

On January 6, 2012, Ingram Industries entered into a stock purchase agreement for the purchase of all Company stock (10,000 shares) by Integrated Solutions Health Networks, LLC (ISHN), a Tennessee Limited Liability Company located in Johnson City,

Tennessee. The purchase price was equal to (1) the aggregate amount of the Company's asset value as of the valuation date, plus (2) \$200,000 for the license, minus (3) any liabilities of the Company, which the buyer (ISHN), in its sole discretion agreed to assume.

On January 31, 2012, the Company received approval from the Department to pay an extraordinary dividend in the amount \$270,000.

On February 16, 2012, the Department conducted a hearing on the proposed acquisition of Tennessee Insurance Company by ISHN's parent company, Mountain States Health Alliance (MSHA) a Tennessee not-for-profit healthcare corporation located in Johnson City, Tennessee. The acquisition was approved by the Department on February 17, 2012.

Effective February 17, 2012, the new company named CrestPoint Health Insurance Company (CHIC) entered into a Management Services Agreement with ISHN for ISHN to provide management and administrative services for CHIC's business operations.

On March 28, 2012, ISHN submitted and received approval on an amended and restated Charter that changed the Company's name to CrestPoint Health Insurance Company (CHIC).

On April 13, 2012, CHIC was issued a new certificate of authority listing the Company's name as CrestPoint Health Insurance Company and authorized the Company to transact the business of casualty, property, and surety in the State of Tennessee.

On July 1, 2012, CHIC entered into an agreement, by assignment and assumption of an existing agreement between ISHN and MSHA, to provide network access and third party administrator (TPA) healthcare services to MSHA. CHIC also entered into an agreement on July 1, 2012, by assignment and assumption of an existing agreement

between ISHN and Apex Benefits Services, LLC (Apex), for Apex to provide TPA medical claims services for CHIC.

On October 1, 2012, CHIC received approval from the Centers for Medicare and Medicaid Services (CMS) to begin operation as a Medicare Advantage plan beginning in Contract Year 2013 (January 1, 2013).

On November 8, 2012, CHIC surrendered its Property and Casualty certificate of authority and was reissued a new certificate of authority authorizing the Company to transact the business of accident and health insurance in the State of Tennessee.

In December, 2012, a new depository agreement was executed between CHIC, the bank custodian, and the Commissioner for securities held on deposit under Tenn. Code Ann. § 56-2-104 for the protection of its policyholders and creditors in the United States.

## 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:

	<u>ASSETS</u>	<u>Nonadmitted</u>	<u>Net Admitted</u>
	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>
Bonds	\$2,256,144		\$2,256,144
Cash and short-term investments	<u>161,126</u>		<u>161,126</u>
Total cash and invested assets	2,417,270		2,417,270
Investment income due and accrued	<u>24,806</u>		<u>24,806</u>
TOTALS	<u>\$2,442,076</u>		<u>\$2,442,076</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	<u>Current Year</u>
Losses	\$0
Reinsurance payable on paid loss and LAE	0
Loss adjustment expenses	0
Other expenses	1,490
Federal income taxes	<u>40,042</u>
Total liabilities	<u>41,532</u>
Common capital stock	1,000,000
Gross paid in and contributed surplus	5,817,421
Unassigned funds	<u>(4,416,877)</u>
Surplus as regards policyholders	<u>2,400,544</u>
TOTALS	<u>\$2,442,076</u>

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**STATEMENT OF INCOME**

<u>Underwriting Income</u>	<u>Current Year</u>
Premiums earned	\$0
<u>Deductions</u>	
Losses incurred	(100,000)
Loss expenses incurred	(10,000)
Other underwriting expenses	48,644
Total underwriting deductions	<u>(61,356)</u>
Net underwriting deductions gain or (loss)	<u>61,356</u>
<u>Investment Income</u>	
Net investment income earned	89,833
Net realized capital gains or (loss)	<u>707</u>
Net investment gain or (loss)	<u>90,540</u>
Net income before federal income tax	151,896
Federal income taxes incurred	<u>24,970</u>
Net income	<u>\$126,926</u>

### Capital and Surplus Account

	2007	2008	2009	2010	2011
Total capital and surplus December 31, previous year	\$3,972,842	\$3,469,942	\$2,509,973	\$2,434,980	\$3,273,618
Net income	(502,966)	(584,203)	(237,384)	654,100	126,926
Change in net unrealized capital gains (losses)	6,066	(259,169)	98,404	110,699	
Change in net deferred income tax	7,430	1,400	30,191	(37,706)	(1,315)
Change in non-admitted assets	(7,430)	(113,995)	22,796	97,313	1,315
Change in in provision for reinsurance	(6,000)	(4,002)	11,000	14,232	
Change in paid in capital	(1,765,700)				
Change in paid in surplus	1,765,700				
Dividends to stockholders					(1,000,000)
Net change for the year	(502,900)	(959,969)	(74,993)	838,638	(873,074)
Total capital and surplus, December 31, current year	\$3,469,942	\$2,509,973	\$2,434,980	\$3,273,618	\$2,400,544

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

As a result of this examination, there were no changes made to the Company's year- end 2011 statutory annual statement filed with the Department.

**COMMENTS AND RECOMMENDATIONS**

In the examination of the Company, there were no noncompliance issues identified requiring comments or recommendations. The Company was in total run-off and wrote no new policies during the period under examination. These operational results confirmed the Company's continued overall reduction in operations and reduced financial risk profile.

**CONCLUSION**

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

In such manners, it was determined that as of December 31, 2011, the Company had admitted assets of \$2,442,076 and liabilities, exclusive of capital and surplus, of \$41,532. Thus, there existed for the additional protection of the policyholders, the amount of \$2,400,544 in the form of common capital stock, 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.

Respectfully submitted,



Gregory Bronson, CIE, MCM, ALMI, AIRC  
Examiner III  
State of Tennessee  
Southeastern Zone, NAIC

**Examination Affidavit**

The undersigned deposes and says that he has duly executed the attached examination report of the Tennessee Insurance Company dated January 18, 2013, and made as of December 31, 2011, on behalf of the Tennessee Department of Commerce and Insurance. 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.



Gregory Bronson, CIE, MCM, ALMI, AIRC  
Insurance Examiner  
State of Tennessee

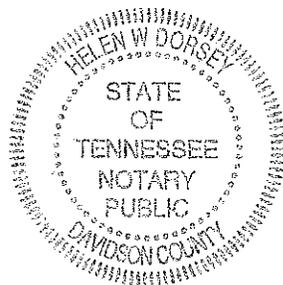
Subscribed and sworn to before me this  
18<sup>th</sup> day of January, 2013

Notary Helen W. Dorsey

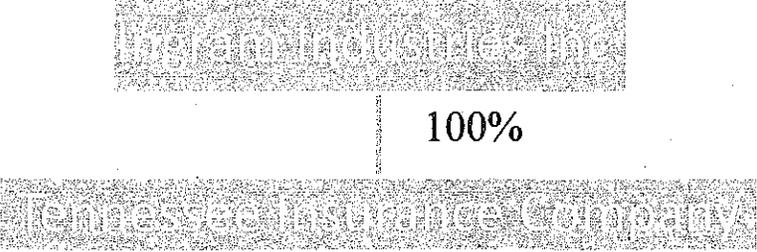
County Davidson

State Tennessee

Commission Expires 03/03/2014



**Organizational Chart**



**Organizational Chart showing all affiliated companies of Ingram Industries Inc. is filed as an attachment to Holding Company Registration Statements filed annually with the Tennessee Department of Commerce and Insurance.**

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**CrestPointHealth**

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Dept. of Commerce & Insurance  
Company Examinations

Rachel A. Dobbs  
208 Sunset Drive  
Suite 101  
Johnson City, TN 37604  
February 05, 2013

James E. York, Jr.  
Insurance Examinations Director  
(615) 741-6796

Dear Mr. York:

Pursuant to your letter dated January 22, 2013, please accept this document as confirmation that CrestPoint Health Insurance Company has waived its right to a rebuttal.

Please do not hesitate to call me at (423) 952-2170 should you have questions or need further information.

Respectfully,

*Rachel A. Dobbs*

[rachel.dobbs@crestpointhealth.com](mailto:rachel.dobbs@crestpointhealth.com)  
(423) 952-2170



**CrestPoint Health**

208 Sunset Drive, Suite 101  
Johnson City, Tennessee 37604

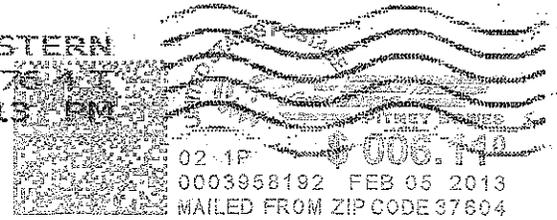
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