

EXHIBIT A



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION
OF THE
K-TENN INSURANCE COMPANY

NASHVILLE, TENNESSEE

AS OF
JUNE 30, 2016

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Nashville, Tennessee
September 19, 2016

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

Dear Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. §§ 56-1-401 and 56-2-102, an organizational examination was made of the financial condition and affairs of the

K-TENN Insurance Company
424 Church Street
Nashville, Tennessee 37219

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

INTRODUCTION

This examination was arranged by the Commissioner of the Tennessee Department of Commerce and Insurance (TDCI) and commenced on March 17, 2016. The examination was an "organizational examination" and was conducted by a duly authorized representative of the TDCI.

SCOPE OF EXAMINATION

This examination was conducted as of June 30, 2016, to determine if the Company has complied with the statutory and regulatory requirements to be issued a Certificate of Authority to establish and operate a life insurance company according to the provisions of Title 56, Chapter 2 of the Tennessee Code Annotated. The examination included the verification of assets, review of organizational documents, and plan of operation. The following documents and records of the Company were reviewed:

- (1) Amended and Restated Charter of Incorporation;
- (2) Original Bylaws and Amended Bylaws;

- (3) Minutes to meetings and Resolutions of the Board of Directors' meetings;
- (4) Biographical sketches of all directors and officers;
- (5) The Company's proposed Plan of Operation;
- (6) Investment statements; and
- (7) Tri-party Depository Agreement – General Deposit between the Company, the Commissioner of the TDCI, and First Tennessee Bank.

COMPANY HISTORY AND ORGANIZATION

The Company was incorporated on May 7, 2015, as a for-profit insurance company authorized to transact business in the State of Tennessee and elsewhere.

The Company proposes to offer a whole life insurance product.

The Company filed its Uniform Certificate of Authority Application (UCAA) for licensure with the TDCI on October 14, 2015, and paid the required application fee of \$675 prescribed by Tenn. Code Ann. § 56-4-101(a)(1).

Funding of the capital and surplus amounts required by the TDCI prior to the granting of a Certificate of Authority for a company to write life insurance in the State of Tennessee was provided by the Company's parent and sole shareholder, K-TENN Capital, Inc. Common stock was issued and funds were placed in an account controlled by the Company in an amount that met the capital and surplus requirements of Tenn. Code Ann. §§ 56-2-103(a)(2), 56-2-114(a), and 56-2-115. On March 30, 2016, the Company received \$2,000,000 from K-TENN Capital, Inc. via a wire transfer from BB&T Bank to a First Tennessee Bank account controlled by the Company.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

As provided for in the Bylaws, the Company's affairs and business is under the direction of its Board of Directors ("Board"). Biographical affidavits of all directors and officers were reviewed for compliance with Tenn. Code Ann. § 56-2-103(a)(6)(B), with no exceptions noted.

The incorporators of the Company appointed David A. Foley and R. Dean Branan as the Company's initial members of the Board on October 16, 2015.

On March 29, 2016, the Company's sole shareholder, K-TENN Capital, Inc., appointed the following persons to the Board, and were serving as of June 30, 2016:

Patrick A. Day	Director
Luther M. Johnson	Director
Matthew H. Kisber	Director
James W. Jewell, Jr.	Director
James S. Maddox	Director
Don D. Pemberton	Director
James K. Sparks	Director

Officers

Pursuant to the Bylaws, the following persons were appointed by the initial Board and were serving as the Company's officers, as of June 30, 2016:

David A. Foley	President
R. Dean Branan	Secretary / Treasurer

Biographical Affidavits reviewed did not reveal any violations of Tenn. Code Ann. § 56-2-103(a)(6)(B).

CONTROL

The Company was created as a wholly-owned subsidiary of K-TENN Capital, Inc. K-TENN Capital, Inc. is a Tennessee insurance holding company system formed in March of 2010 with the intended purpose of forming, owning, and operating a life insurance company, K-TENN Insurance Company, and an insurance agency, K-TENN Insurance Agency.

On March 29, 2016, in order to meet the minimum capital requirement of Tenn. Code Ann. § 56-2-114(a) and pursuant to the terms of a Subscription Agreement, the Company's initial directors issued one million (1,000,000) shares of common stock with a par value of \$1.00 per share to K-TENN Capital, Inc.

An annual meeting of the sole shareholder, K-TENN Capital, Inc., shall be held each year on the third Tuesday of June, at a time and place to be determined by the sole shareholder, for electing members of the Board. Special meetings may be called by the President, by a majority of the Board, or at the request of the sole shareholder.

The business and affairs of the Company shall be conducted, subject to the general direction and oversight, by a Board of not less than one (1) nor more than fourteen (14) members, none of whom need to be Tennessee residents or a shareholder of the Company to serve on the Board. Each Board member shall be elected to serve a term

of one (1) year by the sole shareholder. Vacancies may be filled at any time by the Board until a successor is elected by the sole shareholder at the next annual meeting.

The Board shall meet each year immediately following the annual meeting of the sole shareholder. Special meetings of the Board may be called at any time by the President or by the Board. The Bylaws specify the Company's President shall preside at all meetings of the Board.

The officers of the Company shall consist of a President, and a Secretary/Treasurer, and such other officers, agents and employees as are elected by the Board.

Two (2) or more offices may be held by the same person, except that the President and Secretary may not be one (1) person. The Secretary and Treasurer may be one (1) person. The Board shall fix the salaries of the officers of the Company.

On March 29, 2016, the Board approved a resolution making the Company's President and Secretary authorized signers with its designated depository, First Tennessee Bank.

CONFLICTS OF INTEREST AND PECUNIARY INTEREST

The Company does not have a formal conflict of interest policy to govern the actions of all directors, officers, and employees and otherwise ensure compliance with Tenn. Code Ann. § 56-3-103. This issue is noted further in the section titled "Comments and Recommendations".

AFFILIATED COMPANIES

The Company is a wholly-owned subsidiary of its sole shareholder, K-TENN Capital, Inc. and will meet the definition of a holding company system as defined by Tenn. Code Ann. § 56-11-101(b)(7) upon the issuance of a Certificate of Authority by the Commissioner of the TDCI.

CORPORATE RECORDS

Charter

The Amended and Restated Charter of the Company was approved by the TDCI on October 14, 2015, and was filed and recorded with the Tennessee Secretary of State on October 22, 2015, pursuant to Tenn. Code Ann. § 48-20-107.

The Charter established and sets forth the following guidelines:

1. The name of the corporation is K-TENN, Insurance Company.
2. The corporation is for-profit.
3. The duration of the corporation is perpetual.
4. (a) The street address of the corporation's initial principal office is:
1795 Alysheba Way, Suite 6204
Lexington, Kentucky 40509-2435
County of Fayette

(b) The name of the corporation's initial registered agent is:
National Registered Agents, Inc. (Reid A. Godbolt, Esquire)
5. The names of the incorporators are:
David A. Foley
R. Dean Branan
Reid A. Godbolt
6. The total number of shares of all classes of capital stock that the corporation shall have the authority to issue is one million (1,000,000) shares, all of which shares shall be common stock, par value \$1.00 per share.
7. The purposes for which the corporation is organized are:
 - (a) To engage in all forms of direct insurance and reinsurance as authorized by the TDCI.
 - (b) To carry on such business as may be necessary, convenient or desirable to accomplish the foregoing purpose, including without limitation, reinsurance transactions and administrative services and all things incidental thereto.
 - (c) To engage in and carry on any other lawful business which may be engaged in and carried on by a corporation under the Act.

8. The bylaws of the corporation may provide for staggering the terms of corporation directors.
9. Limitation of director liability.
10. Removal of directors by the shareholder in accordance with the bylaws of the corporation.
11. Special meetings of the shareholder may be called as prescribed in the bylaws of the corporation.
12. The corporation shall indemnify and maintain insurance for the protection of its directors, officers and employees.
13. The Charter may be amended by the sole shareholder and the corporation's bylaws may be amended by the sole shareholder or by a majority of the directors.
14. Should any provision of the Charter be deemed invalid, illegal or unenforceable, in whole or in part, the remaining provisions of the Charter shall remain valid and enforceable to the fullest extent permitted by law.

The Company's Articles of Incorporation include all provisions pursuant to Tenn. Code Ann. §§ 48-12-102 and 48-14-101, and were filed in accordance with Tenn. Code Ann. §§ 48-20-107 and 56-2-103(a)(1).

Bylaws

The original Bylaws of the Company were adopted by the incorporators on February 26, 2015, and were approved by the TDCI on March 26, 2015. An affirmative vote of the sole shareholder or a majority of the directors is necessary to amend or repeal the Bylaws or adopt new Bylaws. The Bylaws were such as those generally found in corporations of this type, and contain no unusual provisions. Pursuant to the Bylaws, the fiscal year of the Company shall begin on January 1.

On March 29, 2016, the Company's Board approved the First Amendment to Bylaws ("First Amendment"). The First Amendment changed all references to "shareholders" to references of a "sole shareholder"; deleted the first sentence of Section 1 of Article VI of the Bylaws regarding a Chief Executive Officer and Executive Vice President and replaced the first sentence with "The executive officers of the Corporation shall be chosen by the Board of Directors and shall consist of a President and a Secretary/Treasurer"; deleted Section 5 of Article VI of the Bylaws concerning the powers and duties of the Chief Executive Officer; and deleted Section 7 of Article VI of the Bylaws concerning the powers and duties of the Executive Vice President.

Meeting Minutes

Minutes of the meetings of the Board, since the Company was incorporated, were reviewed and found to provide a brief summary of the actions approved.

PROPOSED PLAN OF OPERATION

The primary product will be a whole life insurance policy with premiums payable for twenty (20) years. The policies will be participating, with dividends payable from divisible surplus as determined by the Board. Initially, the Company will focus on a product to address the needs of younger, middle income families in rural and suburban areas, which is a market segment the company believes is underinsured. In addition to death benefits, the policy will provide an income benefit payable through the first twenty (20) years, if death occurs during the first twenty (20) years. The product has been designed and priced with the assistance of an actuarial firm. In the future, the Company may offer term life and other life insurance products, if business conditions are favorable.

The Company plans to distribute its products with captive agents, relying primarily on personal contact, referrals and social media. Media advertising will be minimal. It is anticipated that agent compensation will be less than traditional whole life policies because of the characteristics of the product and the methods of the marketing effort.

After the Company is licensed, it will become a member of the Tennessee Life and Health Insurance Guaranty Association, as required by Tenn. Code Ann. § 56-12-205.

The Company will enter into an excess of loss reinsurance agreement with a reinsurer approved by the TDCI. The Company intends to cede risk in excess of \$30,000 for each policy in-force that qualifies.

The Company's administrative services will be provided by Citizens, Inc. ("Citizens"), an insurance holding company domiciled in Colorado, with its headquarters located in Austin, Texas. Effective January 1, 2016, Citizens was issued a license to transact the business of an administrator of life and health insurance coverage in the State of Tennessee, pursuant to Tenn. Code Ann. § 56-6-410. Services performed by Citizens include underwriting, policyholder relations, accounting, data processing, premium billing, and preparation of all regulatory filings.

A Services Agreement between the Company's parent, K-TENN Capital, Inc. and Citizens was effective June 30, 2015, and was amended effective December 10, 2015, at the request of the TDCI. Upon receiving its Certificate of Authority from the TDCI, the Company will access these administrative services through its parent.

In addition to administrative services provided by Citizens, certain other services will be procured from outside contractors. The Company plans to utilize Rudd and Wisdom, Inc. for actuarial services and Rudler PSC for auditing services.

The Company's proposed plan of operation and the products it intends to offer is in accordance with the requirements of Tenn. Code Ann. § 56-2-103(a)(6)(A).

STATUTORY DEPOSIT

The following table reflects the securities that composed the Company's statutory deposit held by First Tennessee Bank in accordance with 56-2-104(a)(2)(A), as of June 30, 2016.

<u>Jurisdiction</u>	<u>Description</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Tennessee	Certificate of Deposit, 0.75%, issued 4/26/2016, due 4/26/2018, Certificate # 179604994	<u>\$200,000.00</u>	<u>\$200,000.00</u>	<u>\$200,000.00</u>
Total		<u>\$200,000.00</u>	<u>\$200,000.00</u>	<u>\$200,000.00</u>

The Company executed a Depository Agreement and placed a deposit with the Commissioner of the TDCI pursuant to § 56-2-104(a)(2)(A) on April 27, 2016. The securities are held pursuant to a tri-party Depository Agreement – General Deposit with the Company, the Commissioner of the TDCI, and First Tennessee Bank. The Company signed the agreement on April 22, 2016. First Tennessee Bank signed the agreement on April 26, 2016, and the Commissioner signed the agreement on May 23, 2016.

FINANCIAL STATEMENTS

There follows a statement of assets and liabilities as of June 30, 2016, established by this organizational examination:

ASSETS

Bonds (long-term certificate of deposit)	\$ 200,000
Cash and short-term investments	<u>1,801,399</u>
Total admitted assets	<u>\$2,001,399</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Liabilities	\$ 0
Common capital stock	1,000,000
Gross paid in and contributed surplus	<u>1,001,399</u>
Surplus as regards policyholders	<u>2,001,399</u>
Total liabilities, capital, and surplus	<u>\$2,001,399</u>

Surplus

The Company's surplus is in the form of cash and a long-term certificate of deposit held by First Tennessee Bank. The certificate of deposit is pledged to the Commissioner of the TDCI, as noted in the "Statutory Deposit" section of this report.

SUBSEQUENT EVENTS

None.

COMMENTS AND RECOMMENDATIONS

Comments

(1) The minimum amount of capital and surplus necessary for a stock insurance company to be licensed in the State of Tennessee is \$1,000,000 and \$1,000,000, respectively, as required by Tenn. Code Ann. §§ 56-2-114 and 56-2-115. As of June 30, 2016, the Company exceeded the \$2,000,000 minimum amount of capital and surplus requirement imposed upon stock insurance companies by \$1,399. If, at any time, an insurance company licensed pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated fails to meet the minimum capital and surplus requirements it is considered to be statutorily impaired by the TDCI. The Company, upon receipt of a Certificate of Authority from the TDCI, should submit to the TDCI monthly financial statements evidencing compliance with Tenn. Code Ann. §§ 56-2-114 and 56-2-115.

(2) Upon receipt of a Certificate of Authority from the TDCI and pursuant to Tenn. Code Ann. § 56-11-105(a)(2), the Company should file a Form B Insurance Holding Company System Annual Registration Statement within fifteen (15) days after receipt of a Certificate of Authority from the TDCI.

(3) The Company does not have a formal conflict of interest policy to govern the actions of its directors and officers. As a good business practice and to evidence compliance with Tenn. Code Ann. § 56-3-103, the Company is advised to implement such a policy and require annual disclosures of conflicts or potential conflicts of interest.

(4) On October 30, 2015, the initial Board directed the President or Secretary to sign and execute a Uniform Consent to Service of Process appointing the Commissioner of the TDCI as its designated agent for receipt of service of process in the State of Tennessee pursuant to Tenn. Code Ann. § 56-2-103(a)(3). Upon receipt of a Certificate of Authority from the TDCI, the Company should submit the executed Uniform Consent to Service of Process to the TDCI.

Recommendations

None.

CONCLUSION

Through this examination, it was determined that, as of June 30, 2016, the Company had admitted assets of \$2,001,399 and liabilities of \$0. Thus, there existed capital of \$1,000,000 and contributed surplus funds of \$1,001,399.

The courteous cooperation of the officers, directors and employees of the Company and representatives of Butler Snow LLP extended during the course of the examination is hereby acknowledged.

Respectfully submitted,



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

AFFIDAVIT

The undersigned deposes and states that he has duly executed the attached examination report of K-TENN Insurance Company, as of June 30, 2016, and dated September 27, 2016, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further states he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information, and belief.

James T. Pearce, Jr.

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

State Tennessee

County Davidson

Subscribed to and sworn before me

this 28th day of October, 2016

Notary Mindy C. Walker

My Commission Expires: 7.6.2020



EXHIBIT B

**K-TENN Insurance Company
424 Church Street
Suite 2000
Nashville, TN 37219**

October 31, 2016

E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135

RE: Report of Examination – K-TENN Insurance Company

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for **K-TENN Insurance Company**. By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

A handwritten signature in cursive script that reads "David Foley".

David Foley - President