



**STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE**

**REPORT ON EXAMINATION
OF THE
TD CONSORTIUM BENEFITS TRUST
CHATTANOOGA, TENNESSEE**

**AS OF
DECEMBER 31, 2021**

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Chattanooga, Tennessee
April 5, 2023

Honorable Carter Lawrence
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-26-204 and Tennessee Compilation of Rules and Regulations (“Tenn. Comp. R. & Regs.”) 0780-01-76, a full-scope financial examination and market conduct review, as of December 31, 2021, has been made of the condition and affairs of:

TD CONSORTIUM BENEFITS TRUST

6505 Lee Highway
Chattanooga, Tennessee 37421

hereinafter referred to as the “Trust” or “TDCBT” and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or “Department”) under rules promulgated by the National Association of Insurance Commissioners (NAIC). The examination commenced on May 1, 2022, and was conducted by duly authorized representatives of the TDCI, pursuant to Tenn. Code Ann. § 56-26-204(b) and Tenn. Comp. R. & Regs. 0780-01-76-.11(1). This examination was not coordinated with any other states.

SCOPE OF EXAMINATION

The last examination, which was an organizational examination, was made as of December 31, 2016. This is the first full-scope examination of the Trust. This examination covers the period from January 1, 2017, through December 31, 2021, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with practices and procedures promulgated by the NAIC *Financial Condition Examiners Handbook* (“Handbook”), as deemed appropriate. The examination sought to identify prospective risks by obtaining information about the Trust, including its corporate governance, by identifying and assessing inherent risks within the Trust, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management’s compliance with statutory accounting principles and the NAIC *Annual Statement Instructions* (“Instructions”).

During planning, all accounts and balances were considered to determine which key activities and accounts would be examined. The key activities included: Pricing/Underwriting; Reserving/Claims; Investments; Reinsurance; Related Party; and Capital and Surplus.

The Trust’s 2021 Annual Statement was compared with or reconciled to the corresponding general ledger account balances.

The examination included a review of management and organizational controls, logical and physical security controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A separate market conduct review was also performed concurrently with the financial examination. See the “Market Conduct Activities” section of this report.

The Trust’s certified public accountant (CPA) workpapers were reviewed for the 2021 audit, and copies were incorporated into the examination, as deemed appropriate.

The Trust provided a Letter of Representation certifying that management has disclosed all significant matters and records.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The Trust fulfilled the requirements for obtaining a Certificate of Authority (COA) from the Department to conduct business in the State of Tennessee on December 12, 2016. Therefore, the previous examination was conducted as an organizational examination prior to receiving the COA on January 1, 2017.

This examination, as of December 31, 2021, included a review to determine the current status of the comment noted in the previous report on examination, as of December 31, 2016. A summary of the corrective actions taken by the Trust are discussed below:

Comment

1. It was noted that the Trust did not have a formal conflict of interest policy to govern the actions of its trustees and officers. As a good business practice and to evidence compliance with Tenn. Code Ann. § 56-3-103, the Trust is advised to implement such a policy and require annual disclosures of conflicts or potential conflicts of interest.

Corrective Action

The Trust complied with this comment by creating a conflict of interest policy and requiring annual disclosures of conflicts or potential conflicts of interest.

COMPANY HISTORY

The Trust, sponsored by the Tennessee Dental Association (TDA), was formed to establish an employee welfare benefit plan ("Plan") as defined by the Employee Retirement Income Security Act of 1974 (ERISA). The TDA, in its Board of Trustees ("Board") meeting on October 8, 2016, approved the creation of the Trust. The resolution authorized the development of the Trust, which shall make plans of employee welfare benefits available to TDA members, its employees, and dependents. To become a member of the Trust, an employer must first be a member of the TDA that has signed the participation agreement. The participation agreement sets forth the terms and conditions under which a participating employer can offer the opportunity to its employees to participate in the Plan.

The Trust filed its Uniform Certificate of Authority Application (UCAA) for licensure with the TDCI on December 5, 2016, and paid the required application fee of \$675.00 prescribed by Tenn. Code Ann. § 56-4-101(a)(1).

The issuance of a surplus note payable to the Trust in the amount of \$300,000 was provided by TDA Insurance Agency, Inc. Those funds were distributed to the Trust on December 12, 2016, satisfying the funding requirement by the TDCI for capital and surplus, prior to the granting of a Certificate of Authority for a Multiple Employer Welfare Arrangement (MEWA) to write health insurance. Therefore, the minimum capital and surplus requirements of Tenn. Comp. R. & Regs. 0780-01-76-.06 were satisfied.

During the examination, the Trust notified the Department of its plan to cease writing business. On December 22, 2022, the Trust notified the Department that it would have all business moved off the Plan by December 31, 2022, and that the Trust would begin its runoff plan starting January 1, 2023, with a completion date of December 31, 2023. See the "Territory and Plan of Operations" and "Subsequent Events" sections later in this report.

MANAGEMENT AND CONTROL

MANAGEMENT

Trustees

As provided for in the Trust Agreement, the trustees shall have the duty and responsibility for the overall operation and administration of the Trust. The Board shall meet not less than quarterly at the time and place in the State of Tennessee as called upon to do so by the Chairman of the trustees after reasonable, written notice to the trustees, whether in a face-to-face meeting or via a teleconference or other electronic means, to discuss the finances of the Trust and such other matters as presented to the trustees by the Chairman or any other trustee. Action taken by the trustees, with or without a meeting, shall be undertaken by a majority vote of the trustees, whether by proxy or otherwise.

The initial trustees were the three (3) individuals who signed the Trust Agreement. The term for the initial trustee identified on the signature page of the Trust Agreement as "A" was to be one (1) year, the initial trustee identified on the signature page of the Trust Agreement as "B" was to be two (2) years, and the term for the initial trustee identified on the signature page as "C" was to be three (3) years. It was noted that the Trust was unable to provide records of the elections of Trustee "A" and "B", thus compliance with the Trust Agreement regarding the election of these initial trustees could not be verified. See the "Comments and Recommendations" section in this report.

The number of successor trustees to the initial trustees shall be determined by a majority vote of the then-serving trustees, but that number shall be no more than seven (7) and no less than three (3) individuals. The successors to the initial trustees shall be nominated by the agreement of the initial trustees and shall be elected at the annual meeting by a majority vote of the participating employers (members). The members have the right to elect at least seventy-five percent (75%) of the trustees at each annual meeting. The term of trustees is three (3) years.

The following persons were duly elected and serving as trustees, as of December 31, 2021:

<u>Trustee</u>	<u>Affiliation</u>
Chris Scoggins	Cornerstone Insurance Group
Jeff Smith	Insurance Planning & Service Company
Buck Orrison	Insurance Planning & Service Company

Officers

The Trust Agreement states that the trustees, by majority vote, shall elect one (1) trustee as the Chairman for the trustees. The trustees may elect additional officers for the Trust as necessary to effectively fulfill its responsibility. The trustees will elect these officers by majority vote, each to serve as such at the pleasure of, or for term or terms as set by a majority vote of the trustees.

The following individuals were duly elected by the trustees and were serving as officers of the Trust, as of December 31, 2021:

<u>Name</u>	<u>Title</u>
Chris Scoggins	President/Chairman
Buck Orrison	Vice President/Vice Chairman
Jeff Smith	Secretary/Treasurer

CONTROL

The Trust is ultimately owned and controlled by its members. No common stock is issued nor owned by any corporation or entity. The TDA is the Plan sponsor that created the Trust but does not own the Trust. Per ERISA and Tenn. Code Ann. § 56-26-204, a sponsoring association must organize the MEWA, and eligibility of that particular association is how an employer qualifies to enroll in the Plan.

CORPORATE RECORDS

The minutes of the Trust's Board and annual member meetings were reviewed for the period under examination. During the review of the Trust's Board and annual meeting minutes, it was noted that the Trust could not provide all of the 2017 and 2018 Board meeting minutes. This is not in compliance with Tenn. Comp. R. & Regs. 0780-1-76-.09 and the NAIC *Annual Statement Instructions* which requires the Trust to keep minutes of all meetings of its member and Board meetings. See the "Comments and Recommendations" section in this report.

Trust Agreement

The Trust does not have a charter or bylaws. The Trust Agreement is the governing document for the Trust that describes the rights and obligations of the employers, employees, and beneficiaries of the Trust. It contains many of the components found within typical bylaws and satisfies the requirements of Tenn. Comp. R. & Regs. 0780-01-76-.05(2)(a). The Trust Agreement is entered into, by, and between the TDA and the trustees of the Trust. It was signed by both of these parties on September 29, 2016.

SERVICE AGREEMENTS

The Trust had the following significant service agreements during the period under examination.

Supervisory Services

Concord Management Resources, LLC. (CMR) functions as the Trust's management overseeing the operations of the Plan through the provisions agreed upon between CMR and TDCBT.

Claims and Pharmacy Services

Aetna Life Insurance Company provides claims processing, benefit plan maintenance, HIPAA administration, check processing, pharmacy network access, and other services.

Marketing Services

Insurance Planning and Service Company (IPSCO) acts as the Trust's managing general agent.

TERRITORY AND PLAN OF OPERATION

TERRITORY

The Trust's current Certificate of Authority was issued by the Department on March 8, 2017, and authorized the Trust to operate as a qualified MEWA subject to all the requirements and conditions of the laws and regulations pertaining thereto. The Trust's license and authorization is effective from January 1, 2017, until suspended or revoked pursuant to Tenn. Code Ann. § 56-26-204. The Trust is licensed to only transact business in Tennessee.

PLAN OF OPERATION

The Trust's purpose is to hold and invest the contributions made to the Trust for the exclusive benefit of the members in the Plan and their dependents, and to pay from the assets of this Trust the reasonable and proper expenses of the Plan.

However, as mentioned in the "Company History" section of this examination, the Trust, during the examination, notified the Department of its plan to cease writing business. On December 22, 2022, the Trust notified the Department that it had moved all business off the Plan as of December 31, 2022, and that the Trust would begin its runoff plan starting January 1, 2023, with a completion date of December 31, 2023.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Trust for the period subject to this examination, according to its annual statements filed with the Department:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Income</u>
2021	\$881,188	\$414,978	\$466,210	(\$380,650)
2020	\$1,330,575	\$479,935	\$850,640	\$400,107
2019	\$1,007,471	\$533,031	\$474,440	\$96,090
2018	\$910,329	\$530,448	\$378,378	\$69,125
2017	\$520,795	\$210,331	\$310,464	\$10,755

LOSS EXPERIENCE

The following comparative data reflects the loss experience of the Trust for the period under review, as reported by the Trust in its annual statements filed with the Department:

<u>Year</u>	<u>Net Premiums Income</u>	<u>Total Hospital & Medical Expenses</u>	<u>Loss Ratio</u>
2021	\$1,171,619	\$2,412,445	205.91%
2020	\$1,162,456	\$399,151	34.34%
2019	\$1,181,981	\$751,254	63.56%
2018	\$1,509,790	\$1,009,065	66.83%
2017	\$160,027	\$111,451	69.65%

REINSURANCE

Assumed Reinsurance

The Trust did not assume any reinsurance during the examination period.

Ceded Reinsurance

The primary intent of the Trust's stop-loss agreement is to manage its overall exposure to loss at, or below, a level that is within the capacity of its capital resources. The Trust must also comply with Tenn. Comp. R. & Regs. 0780-01-76-.04(3), which states that a MEWA "shall maintain specific and aggregate stop-loss insurance coverage covering one hundred percent (100%) of claims in excess of the attachment points recommended by a qualified actuary."

As of the date of this examination, the Trust had a specific stop-loss insurance policy written by Liberty Insurance Underwriters Inc., which is an admitted insurer in Tennessee. Under the policy's specific coverage, the insurer agrees to indemnify the Trust for covered medical and prescription drug expenses in excess of \$75,000 specific retention per covered person and an aggregate specific deductible of \$1,255,192.

Other Considerations

The Trust's reinsurance agreement was found to contain such language as recommended by the NAIC and as required pursuant to Tenn. Code Ann. § 56-2-207(a)(2). The agreement also appears to effectuate proper transfer of risk in accordance with Statement of Statutory Accounting Principles (SSAP) No. 61R and NAIC guidelines.

ACCOUNTS AND RECORDS

Tenn. Comp. R. & Regs. 0780-01-65-.08(4) states that no partner or other person responsible for rendering a report by a certified public accounting firm may act in that capacity for more than five (5) consecutive years. The Trust is in compliance with this regulation.

During the examination, certain balances were tested, and amounts were traced from the Trust's trial balance to the annual statement. All of the Trust's investment securities were confirmed with the custodian of such securities, as of the date of this examination. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. These test checks and reviews revealed no material discrepancies.

During the review of the Trust's third quarter 2017 Quarterly Statement, it was noted that the Trust did not have surplus equal to thirty percent (30%) of its unpaid claims liability, or the amount recommended by a certified actuary. This was not in compliance with Tenn. Comp. R. & Regs. 0780-1-76-.06, which requires a MEWA to maintain surplus funds equal to thirty percent (30%) of its unpaid claims liability or the amount recommended by a certified actuary. See the "Comments and Recommendations" section in this report.

During the review of the Trust's 2021 actuarial opinion, it was noted that it did not include a recommendation on the amount of specific and aggregate stop-loss insurance the Trust should maintain. This is not in compliance with Tenn. Comp. R. & Regs. 0780-1-76-.09(1)(b)(2), which requires the actuarial opinion include a recommendation on the specific and aggregate stop-loss insurance the Trust should maintain. See the "Comments and Recommendations" section in this report.

During the review of the Trust's 2021 Annual Statement, it was noted that the Trust reported \$0 on page 3, line 3, for Unpaid Claim Adjustment Expenses (UCAE). However, in a response from the Trust, the Trust indicated that its unpaid claims liability reported on page 3, line 1, contained a twelve and five-tenths percent (12.5%) margin. This twelve and five-tenths percent (12.5%) margin included seven and five-tenths percent (7.5%) for Provision for Adverse Deviation (PAD) and five percent (5%) for the UCAE. According to the Instructions, UCAE should be reported on page 3, line 3 of the annual statement. See the "Comments and Recommendations" section in this report.

The Trust's books and records are located in Chattanooga, Tennessee.

MARKET CONDUCT ACTIVITIES

In conjunction with this examination, a market conduct review was made of the Trust, as of December 31, 2021. The following items were addressed:

Operations and Management Standards

The Trust's antifraud initiatives were reviewed to determine if the initiatives are reasonably designed to prevent, detect, or mitigate fraudulent insurance acts as required by Tenn. Code Ann. § 56-53-111(a) and (b). During the review, it was noted that all of the Trust's applications and claims forms lacked the fraud warning statement as required by Tenn. Code Ann. § 56-53-111(b)(1)(A). Tenn. Code Ann. § 56-53-111(b)(1)(A) requires that all applications for insurance and all claim forms contain a statement that clearly states in substance the following or words to that effect: "It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the Company."

Additionally, the Trust's procedures and policies relating to privacy were reviewed to determine compliance with Tenn. Code Ann § 56-8-104(19). No issues were noted.

Underwriting and Rating Standards

During the examination of the Trust's underwriting procedures and policy administration, a sample of policies in-force were reviewed for compliance with Tenn. Code Ann. § 56-8-104(7) and Tenn. Comp. R. & Regs. 0780-01-34. During the review, it was noted that the Trust was unable to provide the applications requested for some of the samples. Tenn. Code Ann. § 56-8-104(10) requires an insurer to maintain its records, documents, and other records in such an order that data regarding underwriting is accessible and retrievable for examination by the insurance Commissioner. See the "Comments and Recommendations" section in this report.

It was noted that the Trust was not in compliance with Tenn. Code Ann. § 56-26-102 in 2017, which requires that accident and health policy forms and rates be filed with and approved by the Commissioner. The Trust addressed this issue in 2018 and has been in compliance with Tenn. Code Ann. § 56-26-102 since 2018. All of the 2021 rates and forms reviewed during the examination were approved by the Department. See the "Comments and Recommendations" section in this report.

Producer Licensing Standards

Tenn. Code Ann. § 56-6-115 requires the Trust to sell its products and services through producers who are properly licensed and appointed by the Trust. The Trust's producer's state-issued license and appointment information was reviewed during the examination for compliance with Tenn. Code Ann. § 56-6-115.

During this review, it was noted that the Trust had not correctly appointed its agents per Tenn. Code Ann. § 56-6-115. Tenn. Code Ann. § 56-6-115 requires the Trust to file a notice of appointment with the Commissioner, within fifteen (15) days from the date the agency contract is executed, or the first insurance application is submitted. See the "Comments and Recommendations" section in this report.

Marketing and Sales Standards

The Trust utilizes many forms of advertisement, such as print, social media, email, direct mail, and others. In addition, the Trust maintains a website where product descriptions and forms are located. The Trust's advertising complies with Tenn. Code Ann. § 56-8-104.

Policyholder Services Standards

The Trust's timeliness of policy issuance, premium billing, response to policyholder requests, provision of adequate disclosures, and compliance with applicable statutes and rules were examined. The Trust was found to be in compliance with the relevant market conduct standards.

Claims Handling Standards

A sample of claims was reviewed for unfair claims practices as defined by Tenn. Code Ann. § 56-8-105. Testing included timeliness of contact and resolution, adequacy of claims documentation, and claims handling procedures. In conducting the examination, random samples were selected from the Trust's claims. During the review of the Trust's claims files, it was noted that the claims files are lacking the documentation that would allow for testing for compliance with Tenn. Code Ann. §§ 56-8-105(2), (3), and (4). Due to this lack of documentation in the claims files, the Trust is not in compliance with Tenn. Code Ann. §§ 56-8-104(10) and 56-8-105(2), (3), and (4). See "Comments and Recommendations" section later in this report.

Complaint Handling Standards

The Trust maintains a complaint register, as required by Unfair Trade Practices Acts. The Trust's complaint handling practices were reviewed for compliance with Tenn. Code Ann. § 56-8-104(11) and were found to be in compliance.

Mental Health Parity

The Trust's identification of the standards that were used to define mental health conditions, substance use disorders, and medical/surgical conditions were determined to be in compliance with Tenn. Code Ann. § 56-7-2360. The Trust's comparative analysis of the design and application of non-quantitative treatment limitations was reviewed and found to be in accordance with 42 U.S.C. § 300gg-26(a)(8)(A).

SUBSEQUENT EVENTS

As noted above in the "Company History" and "Territory and Plan of Operation" sections of this report, during the examination, the Trust notified the Department of its plan to cease writing business. On December 22, 2022, the Trust notified the Department that it would successfully have moved all business off the Plan by of December 31, 2022, and that it had commenced its runoff plan, with an expected completion date of December 31, 2023.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of revenue and expenses, as of December 31, 2021, together with a reconciliation of capital and surplus for the period under review, as reported by the Trust in its 2021 Annual Statement:

	<u>ASSETS</u>		
	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Cash and cash equivalents	\$823,135		\$823,135
Aggregate write-ins for invested assets	1,951	\$1,951	
Amounts recoverable from reinsures	58,053		58,053
Health care and other amounts receivable	<u>27,263</u>	<u>27,263</u>	<u>0</u>
Total Admitted Assets	<u>\$910,402</u>	<u>\$29,214</u>	<u>\$881,188</u>

LIABILITIES, CAPITAL, AND SURPLUS

Claims unpaid	\$336,797
General expenses due or accrued	<u>78,181</u>
Total liabilities	414,978
Surplus notes	300,000
Aggregate write-ins for other-than-special surplus funds	(29,214)
Unassigned funds (surplus)	<u>195,424</u>
Total capital and surplus	<u>466,210</u>
Total Liabilities, Capital, and Surplus	<u>\$881,188</u>

STATEMENT OF REVENUE AND EXPENSES

Member months	<u>4,018</u>
Net premium income	<u>\$1,171,619</u>
Total revenues	1,171,619
Hospital and Medical:	
Hospital/medical benefits	1,970,966
Prescription drugs	<u>441,479</u>
Subtotal	2,412,445
Less:	
Net reinsurance recoveries	<u>1,281,291</u>
Total hospital and medical	1,131,154
General administrative expenses	<u>421,578</u>
Total underwriting deductions	<u>1,552,732</u>
Net underwriting gain or (loss)	(381,113)
Net investment income earned	<u>463</u>
Net income or (loss) after capital gains tax and before all other federal income taxes	<u>(380,650)</u>
Net Income	<u>(\$380,650)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Capital and surplus, prior reporting period	<u>\$850,640</u>	<u>\$474,440</u>	<u>\$378,378</u>	<u>\$310,464</u>	<u>\$300,000</u>
Net income or (loss)	(380,650)	400,107	96,090	69,125	10,755
Change in non-admitted assets	<u>(3,779)</u>	<u>(23,907)</u>	<u>(28)</u>	<u>(1,211)</u>	<u>(291)</u>
Net change in capital and surplus	<u>(384,429)</u>	<u>376,200</u>	<u>96,062</u>	<u>67,914</u>	<u>10,464</u>
Policyholders' Surplus December 31, current year	<u>\$466,211</u>	<u>\$850,640</u>	<u>\$474,440</u>	<u>\$378,378</u>	<u>\$310,464</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$466,211

Total capital and surplus, as established by this examination, is the same as what was reported by the Trust in its 2021 Annual Statement. There were no changes made to any asset or liability item as a result of the examination performed as of December 31, 2021.

COMMENTS AND RECOMMENDATIONS

Comments

1. As noted in the “Management and Control” section of this report, the Trust was not able to provide documentation of the election of its initial trustees that would show compliance with its Trust Agreement regarding the election of its initial trustees.

The Trust has addressed this issue by maintaining records of elections of its trustees since 2019.

2. As noted in the “Accounts and Records” section of this report, the Trust did not meet the surplus requirements of Tenn. Comp. R. & Regs. 0780-1-76-.06 as of the third quarter of 2017.

The Trust addressed this issue by increasing its surplus to meet the requirements of Tenn. Comp. R. & Regs. 0780-1-76-.06.

3. As noted in the “Accounts and Records” section of this report, the Trust’s 2021 actuarial opinion did not include a recommendation regarding the level of stop-loss insurance the Trust should maintain, which is not in compliance with Tenn. Comp. R. & Regs. 0780-01-76-.09(1)(b)(2).

The Trust has addressed this issue by ensuring that its Actuarial Opinion for 2022 includes all the required recommendations.

4. As noted in the “Market Conduct Activities” section of the report, the Trust did not file its rates and forms in accordance with Tenn. Code Ann. § 56-26-102 in 2017.

The Trust addressed and resolved this issue in 2018 by filing its rates and forms in accordance with Tenn. Code Ann. § 56-26-102.

Recommendations

1. As noted in the “Management and Control” section of this report, the Trust could not provide all of its 2017 and 2018 Board meeting minutes. This is not in compliance with Tenn. Comp. R. & Regs. 0780-1-76-.09 and the NAIC Annual Statement Instructions.

It is recommended that the Trust comply with Tenn. Comp. R. & Regs. 0780-1-76-.09 and the NAIC Annual Statement Instructions.

2. As noted in the “Accounts and Records” section of this report, the Trust did not correctly report its Unpaid Claim Adjustment Expenses. This is not in compliance with the NAIC *Annual Statement Instructions*.

It is recommended that the Trust comply with the NAIC *Annual Statement Instructions*.

3. As noted in the “Market Conduct Activities” section of the report, the Trust’s applications and claims forms did not contain the fraud statement required by Tenn. Code Ann. § 56-53-111.

It is recommended that the Trust comply with Tenn. Code Ann. § 56-53-111.

4. As noted in the “Market Conduct Activities” section of the report, the Trust was not able to provide all of its in-force policy documentation, which is not in compliance with Tenn. Code Ann. § 56-8-104(10).

It is recommended that the Trust maintain its records in accordance with Tenn. Code Ann. § 56-8-104(10).

5. As noted in the “Market Conduct Activities” section of the report, the Trust’s agents were not properly appointed in accordance with Tenn. Code Ann. § 56-6-115.

It is recommended that the Trust comply with Tenn. Code Ann. § 56-6-115.

6. As noted in the “Market Conduct Activities” section of the report, due to the Trust’s lack of claims documentation, the Trust is not in compliance with Tenn. Code Ann. §§ 56-8-104(10) and 56-8-105(2), (3), and (4).

It is recommended that the Trust comply with Tenn. Code Ann. §§ 56-8-104(10) and 56-8-105(2), (3), and (4).

CONCLUSION

Rules and procedures as prescribed by the statutes of the State of Tennessee and guidance from the NAIC Handbook, as deemed appropriate, have been followed in connection with the verification and valuation of assets and the determination of liabilities of TD Consortium Benefits Trust.

In such manner, it was found that as of December 31, 2021, the Trust had admitted assets of \$881,188 and liabilities, exclusive of policyholders' surplus, of \$414,978. Thus, there existed for the additional protection of the policyholders, the amount of \$466,211 in the form of gross paid in and contributed surplus and unassigned funds. Therefore, the Trust was in compliance with the requirements of Tenn. Comp. R. & Regs. 0780-01-76-.06, which requires the Trust to maintain surplus equal to the greater of thirty percent (30%) of the unpaid claims liability of the Trust, which for 2021 was \$101,039 or the amount recommended and certified by a qualified actuary, which was \$177,256 for 2021.

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

In addition to the undersigned, James Pearce, Examiner, Linda Merriweather, Examiner, and Jay Uselton, CFE, Supervising Examiner, from the State of Tennessee, participated in the work of this examination.

Respectfully submitted,



Dustin Rice
Examiner-in-Charge
Tennessee Department of Commerce and Insurance

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of TD Consortium Benefits Trust, located in Chattanooga, Tennessee, dated April 5, 2023, and made as of December 31, 2021, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.



Dustin Rice
Examiner-in-Charge
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 7th day of June, 2023



(NOTARY)

My Commission Expires: March 15, 2025



EXHIBIT B



June 8, 2023

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 – TD Consortium Benefits Trust

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for the TD Consortium Benefits Trust, made as of December 31, 2021.

By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Chris Scoggins", is written over a faint, illegible background.

M. Chris Scoggins
Chairman