

# EXHIBIT A



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

---

**REPORT ON EXAMINATION**  
**OF THE**  
**TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY**  
**ASSOCIATION**  
**NASHVILLE, TENNESSEE**

---

**AS OF**  
**DECEMBER 31, 2023**

## TABLE OF CONTENTS

Introduction .....	1
Scope of Examination .....	1
Compliance With Previous Examination Findings .....	2
Association History .....	2
Management and Administration .....	3
Management .....	3
Administration .....	4
Corporate Records .....	4
Plan of Operation .....	4
Administrative and Management Service Agreements .....	5
Active Insolvencies .....	6
Growth of the Association .....	6
Accounts and Records .....	6
Subsequent Events .....	7
Financial Statements .....	7
Statement of Assets, Liabilities, and Fund Balance .....	7
Statement of Cash Receipts .....	8
Statement of Disbursements .....	8
Statement of Changes in Fund Balance .....	9
Changes in Fund Balance .....	10
Analysis of Changes in Financial Statements .....	11
Comments and Recommendations .....	11
Conclusion .....	12
Certification .....	13

Nashville, Tennessee  
March 21, 2025

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.”) § 56-12-214, a full-scope financial examination as of December 31, 2023, has been made of the condition and affairs of:

**TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION**

1320 Adams Street, Suite 1400  
Nashville, Tennessee 37208

hereinafter referred to as the “Association” and a report thereon is submitted as follows:

**INTRODUCTION**

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDIC or “Department”). The examination was conducted by duly authorized representatives of the Department.

**SCOPE OF EXAMINATION**

The last examination of the Association was made as of December 31, 2018. This examination covers the period from January 1, 2019, through the close of business on December 31, 2023, 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 National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (“Handbook”), as deemed appropriate. The examination sought to evaluate the overall financial statement presentation, including principles used and significant estimates made by management. The examination also

included an assessment of prospective risks faced by the Association, based on information obtained during the course of the examination.

The examination reviewed the Association's business policies and practices, management, and reviewed and evaluated assets, liabilities, receipts, and disbursements. In addition, our examination included tests to provide reasonable assurance that the Association was in compliance with applicable laws, rules, and regulations. In planning and conducting our examination, we considered the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Association provided a letter of representation confirming that management has disclosed all significant matters and records.

The independent auditor's workpapers for the 2023 audit were reviewed and copies were incorporated in the examination, as deemed appropriate.

## **COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS**

There were no comments or recommendations in the prior examination report.

## **ASSOCIATION HISTORY**

The Association is a nonprofit, unincorporated legal entity organized pursuant to the Tennessee Life and Health Insurance Guaranty Association Act (the "Act"), Tenn. Code Ann. § 56-12-201 *et seq.*, effective July 1, 1989. Under provisions of the Act, the Commissioner of Insurance appointed a Board of Directors ("Board") composed of nine (9) members who submitted a Plan of Operations effective July 1, 1989. The current Plan of Operation is discussed in the "Territory and Plan of Operation" section later in this report.

The Association provides a mechanism to pay eligible claims and other contractual obligations on existing policies of insolvent life and health insurance companies.

Members of the Association include all insurers licensed to write life, annuity, or accident and health insurance in Tennessee.

## MANAGEMENT AND ADMINISTRATION

### **MANAGEMENT**

#### **Directors**

The operation and administration of the Association is the joint responsibility of the Board consisting of not less than five (5) nor more than nine (9) member insurers ("Directors"), in accordance with Tenn. Code Ann. § 56-12-206(a). The Directors are elected by the member insurers of the Association to represent all member insurers.

The following persons were duly elected to serve as Directors as of December 31, 2023:

<b><u>Director</u></b>	<b><u>Principal Business Affiliation</u></b>
D. Randall Foster	American General Life Insurance Company
Julie Bowling	Tennessee Farmers Life Insurance Company
Jerry Cook*	Tennessee Farmers Life Insurance Company
John Haley	Unum Group
Lydia Messina	Protective Life Insurance Company
Dakasha Winton	Blue Cross Blue Shield of Tennessee
Hugh Barrett	Prudential Insurance Company of America
Mike Graham	Plateau Insurance Company
Jeffrey Tindall	Cigna Healthcare
Steve Simkins	State Farm Life Insurance Company

\* Jerry Cook serves as an alternative representative for Tennessee Farmers Life Insurance Company.

#### **Officers**

The following individuals were duly elected by the Board and were serving as officers of the Association as of December 31, 2023:

<b><u>Name</u></b>	<b><u>Title</u></b>
D. Randall Foster	Chairman
Julie Bowling	Vice Chairman
John Haley	Secretary/Treasurer

### **Audit Committee**

The Board appointed an Audit Committee to provide financial oversight for the affairs of the Association. The following individuals were serving on the Audit Committee as of December 31, 2023:

<b><u>Name</u></b>	<b><u>Company Affiliation</u></b>
Jerry Cook	Tennessee Farmers Life Insurance Company
D. Randall Foster	American General Life Insurance Company
Mike Graham	Plateau Insurance Company

### **ADMINISTRATION**

In accordance with the Plan of Operation, the Board hires appropriate persons to administer the Association. Ben Whitehouse with Butler Snow LLP (“Administrator”) served as the Association’s Administrator as of December 31, 2023. The administrative functions of the Association are performed by Ben Whitehouse, with certain necessary services provided by outside contractors and third-party administrators as needed for accounting, independent audits, claim administration, and claim handling reviews.

### **CORPORATE RECORDS**

The minutes of the meetings of the Association’s Board and Committees were reviewed and appear to properly reflect the acts of the respective bodies.

The Association operates under an approved Plan of Operation pursuant to Tenn. Code Ann. § 56-12-201 *et seq.* The Plan of Operation was amended in 2019. This amendment established the methodology for calculating assessments for long-term care insurance, as required by Tenn. Code Ann. § 56-12-208(c)(3). In addition, the Plan of Operation was also amended subsequent to the period under examination, as noted in the “Subsequent Events” section of this report.

## **PLAN OF OPERATION**

The Association was organized pursuant to, and operates in accordance with, the Act, under a Plan of Operation adopted pursuant to the Act and approved by the Commissioner. The Association is composed of all insurance companies authorized to write life, annuity, or accident and health insurance business in the state of Tennessee. The Association was organized to protect, subject to certain limitations, persons who are listed in Tenn. Code Ann. § 56-12-204(a), against failure in the performance of contractual obligations, under life, health, and annuity policies, plans or contracts specified in Tenn. Code Ann. § 56-12-204(b), because of the impairment or insolvency of the member insurer that issued the policies, plans, or contracts. Such coverage is triggered upon the

finding of insolvency and an order of liquidation with respect to a member company. The Act also provides limited discretionary authority for the Association to provide coverage if a member company becomes impaired.

In the event of an insolvency, the receiver will typically select a third-party administrator to oversee the insolvency. Typically, this administrator will submit insolvency claim information to the affected guaranty associations through the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA), and the affected guaranty associations will typically remit claim payments to the third-party administrator through NOLHGA.

Funding for the Association is provided by assessments of member companies consisting of “Class A” and “Class B” assessments. Class A assessments are made for administrative costs, legal costs, and other costs of operation. The amount of any Class A assessment is determined by the Board and may be made on a pro rata or non-pro rata basis based off of premiums. Class B assessments are made as needed in order to carry out the Association’s duties with regard to impaired and insolvent insurers. The amount of any Class B assessment is in proportion to the premiums received on policies or contracts covered in the state by each assessed member insurer for the three (3) most recent calendar years for which information is available, preceding the year in which the member insurer became impaired or insolvent. The Association also occasionally receives liquidation distributions from the estates of insolvent insurance companies.

## **ADMINISTRATIVE AND MANAGEMENT SERVICE AGREEMENTS**

The Association had several written agreements in place for services during the period under examination.

### **Legal and Administrative Services**

Butler Snow LLP provides legal and administrative services to the Association. Through this agreement, Butler Snow provides legal advice, oversees the day-to-day operations of the Association, and oversees the work of the Association’s accountants, FMC CPAs, PLLC.

### **Financial and Tax Preparation Services**

FMC CPAs, PLLC provides the Association with services including the preparation of financial statements, and services such as maintaining the accounting system and records for the Association.



## ACTIVE INSOLVENCIES

As of December 31, 2023, the Association was party to three (3) insolvencies where the Association was actively paying claims. These three (3) insolvencies were:

### Insolvent Company Names

North Carolina Mutual Insurance Company

Southland National Insurance Company

Booker T. Washington/Universal Life Insurance Company

## GROWTH OF THE ASSOCIATION

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

	<b>Fund</b>			<b>Class A</b>
<b><u>Year</u></b>	<b><u>Balance</u></b>	<b><u>Receipts</u></b>	<b><u>Disbursements</u></b>	<b><u>Assessment Collected</u></b>
2023	\$51,003,375	\$5,715,618	\$1,882,697	\$655,971
2022	\$45,795,755	\$313,188	\$560,071	\$4,400
2021	\$48,678,806	\$2,826,353	\$643,232	\$573,900
2020	\$47,719,238	\$1,471,849	\$473,666	\$0
2019	\$45,983,611	\$1,412,350	\$697,277	\$394,248

Due to there not being any Class B Assessments for the exam period, a column for Class B assessments was not included above.

## ACCOUNTS AND RECORDS

During the examination, accounts were verified by various tests and procedures deemed necessary to confirm values for assets, liabilities, receipts, disbursements, and fund balance appearing in the Association's audited financial statements. General ledger balances were reconciled with the financial statements and were reviewed for completeness of disclosure.

The Association's books and records are located at the office of the Administrator in Nashville, Tennessee.

## SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed. In October 2024, the Association submitted a new Plan of Operation to the Department. In October 2024, the Association levied a Class A assessment in the amount of approximately \$683,000 and a Class B assessment totaling approximately \$68,554,000. The Class B assessment was for four (4) insolvencies: North Carolina Mutual Insurance Company, Global Bankers Life Insurance Company, Colorado Bankers Life Insurance Company, and Southland National Insurance Company.

## FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, cash receipts, disbursements and a statement of changes in fund balance as reported by the Association in its 2023 audited financial statement.

### **STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE**

Assets:

Bonds	\$16,659,255
Certificate of deposit	29,794,824
Cash and cash equivalents	<u>4,549,296</u>
Total Assets	<u>\$51,003,375</u>

Total Liabilities	\$0
-------------------	-----

Fund balance at beginning of year	45,795,755
Excess (deficit) of receipts over (under) disbursements	3,832,921
Change in net unrealized gain/(losses) on investments	<u>1,374,699</u>
Total Fund Balance	<u>51,003,375</u>
Total Liabilities and Fund Balance	<u>\$51,003,375</u>

### **STATEMENT OF CASH RECEIPTS**

Assessments:	
Class A for general administrative expenses	\$655,971
Class B for specific insurer insolvencies	<u>0</u>
Total Assessments	<u>655,971</u>
Estate Settlements:	
Life	1,435,293
Annuity	0
Health	<u>2,951,602</u>
Total Estate Settlements	<u>4,386,895</u>
Premium distributions received	1,471
Investment Income	<u>671,281</u>
Total Receipts	<u><u>\$5,715,618</u></u>

### **STATEMENT OF DISBURSEMENTS**

Claims paid:	
Life	\$1,085,426
Annuity	0
Health	<u>518</u>
Total claims paid	<u>1,085,944</u>
Administrative fees for specific insurer insolvencies	<u>513,138</u>
General administrative expenses:	
Dues	93,128
Outside services	165,437
Other	<u>25,050</u>
Total general administrative expenses	<u>283,615</u>
Total disbursements	<u><u>\$1,882,697</u></u>

### **STATEMENT OF CHANGES IN FUND BALANCE**

Fund balance at beginning of year	\$45,795,755
Change in net unrealized gains/(losses) on investments	1,374,699
Excess (deficit) of receipts over disbursements	<u>3,832,921</u>
Fund balance at end of year	<u>\$51,003,375</u>

**CHANGES IN FUND BALANCE**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Fund balance at beginning of year	\$45,795,755	\$48,678,806	\$47,719,238	\$45,983,611	\$44,751,951
Change in net unrealized gains and losses in investments	1,374,699	(2,636,168)	(1,223,553)	737,444	516,587
Excess (deficit) of Receipts over Disbursements	<u>3,832,921</u>	<u>(246,883)</u>	<u>2,183,121</u>	<u>998,183</u>	<u>715,073</u>
Fund balance at end of year	<u>\$51,003,375</u>	<u>\$45,795,755</u>	<u>\$48,678,806</u>	<u>\$47,719,238</u>	<u>\$45,983,611</u>

## **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS**

Total Fund Balance

\$51,003,375

Total fund balance, as established by this examination, is the same as what was reported by the Association in its 2023 audited financial statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2023.

## **COMMENTS AND RECOMMENDATIONS**

### **Comments**

No comments were noted as a result of the examination.

### **Recommendations**

No recommendations were noted as a result of the examination.

## 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, liabilities and the verification of receipts and disbursements of the Tennessee Life and Health Insurance Guaranty Association.

In such manner, it was found that as of December 31, 2023, the Association had a fund balance of \$51,003,375 and zero liabilities. Tenn. Code Ann. § 56-12-205(a) requires the association to maintain two (2) accounts: a life and annuity account, and a health account. The Association maintained these accounts in accordance with the Act. There is no required minimum fund balance for the Association.

The courteous cooperation of the Association's Administrator and Accountant extended during the course of the examination, is hereby acknowledged.

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

Respectfully submitted,



05/30/2025

---

Dustin Rice  
Examiner-in-Charge  
State of Tennessee

## CERTIFICATION

The undersigned certifies and says that he has duly executed the attached examination report of Tennessee Life and Health Insurance Guaranty Association located in Nashville, Tennessee, dated March 21, 2025, and made as of December 31, 2023, on behalf of the Tennessee Department of Commerce and Insurance. The undersigned 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.



05/30/2025

---

Dustin Rice  
Examiner-in-Charge  
State of Tennessee



# EXHIBIT B

**TENNESSEE LIFE AND HEALTH INSURANCE  
GUARANTY ASSOCIATION**

1320 ADAMS STREET, SUITE 1400  
NASHVILLE, TENNESSEE 37208  
(615) 242-8758

June 2, 2025

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

**Re: Report of Examination – Tennessee Life & Health Insurance Guaranty Association**

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for the Tennessee Life & Health Insurance Guaranty Association, made as of December 31, 2023.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Whitehouse', with a long horizontal flourish extending to the right.

Benjamin A. Whitehouse  
Administrator