

REPORT ON EXAMINATION

of the

**TRH HEALTH INSURANCE COMPANY
147 BEAR CREEK PIKE
COLUMBIA, TENNESSEE 38401**

as of

DECEMBER 31, 2005

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

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Columbia, Tennessee
June 13, 2008

Honorable Leslie A. Newman
Commissioner
State of Tennessee
Department of Commerce and Insurance
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tennessee Insurance Laws, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a financial examination was made of the condition and affairs of the

TRH HEALTH INSURANCE COMPANY
147 BEAR CREEK PIKE
COLUMBIA, TENNESSEE 38401

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

INTRODUCTION

This examination was called by the Commissioner of Commerce and Insurance of the State of Tennessee on August 7, 2006. On-site examination work commenced on September 25, 2006. With the Company having authority to write business only in the State of Tennessee, the examination was not classified as an Association Examination under NAIC Guidelines. The examination was performed by duly authorized representatives of the Department of Commerce and Insurance, State of Tennessee ("TDCI"). It was conducted simultaneously with the examination of four (4) other insurance companies all based in Columbia, Tennessee as follows:

- Tennessee Farmers Mutual Insurance Company
- Tennessee Farmers Assurance Company
- Tennessee Farmers Life Insurance Company
- Tennessee Farmers Life Reassurance Company

SCOPE OF EXAMINATION

This examination report covers the period from December 31, 2000, the date of the last examination, to the close of business on December 31, 2005, and includes any material

transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination of the financial condition of the Company was conducted in accordance with guidelines and procedures contained in the NAIC Financial Condition Examiners Handbook. During the course of examination, assets were verified and valued and liabilities were determined and estimated as of December 31, 2005. The financial condition of the Company and its amount of solvency were thereby established. Test checks were made of income and disbursement items for selected periods, and a general review was made of the Company's operations, practices, and compliance with applicable statutes and regulations. All asset and liability items contained in the financial statement of this report were examined and verified with relative emphasis according to their amount and potential impact on capital and surplus.

In addition, the following topics were reviewed:

- Company History
- Charter and Bylaws
- Management and Control
- Corporate Records
- Fidelity Bonds and Other Insurance
- Territory (includes inforce/premium by state)
- Plan of Operation
- Reinsurance
- Retirement Plan and Other Employee Benefits
- Loss Experience
- Accounts and Records
- Statutory Deposits
- Agreements with Parent, Subsidiaries and Affiliates
- Pecuniary Interest Tenn. Code Ann. § 56-3-103
- Commission Equity
- Dividends or Distributions
- Litigation
- Subsequent Events
- Financial Statement

The previous examination was conducted as of December 31, 2000 by authorized representatives of the TDCI. The previous examination made one (1) recommendation that the Company follow the NAIC Annual Statement Instructions concerning the valuing of investments in the future. This had to do with the valuing of bonds at market value rather than amortized value. The amount in question was immaterial and amounted to one thousand three hundred thirty-six dollars (\$1,336). The Company complied with the recommendation in future filings made with the Division of Insurance. There were no TDCI requirements arising as a result of such examination.

COMPANY HISTORY

The Company was incorporated on February 24, 1999 under the Tennessee Business Corporation Act as a for profit corporation authorized to transact business in the State of Tennessee. Effective July 20, 2000, the Company was issued an initial Certificate of Authority by the TDCI to transact the business of Accident and Health Insurance as defined by Tenn. Code Ann. § 56-2-201. This Certificate was in force for the period under review and is perpetual until it is surrendered by the Company or subjected to regulatory action by the TDCI.

On February 25, 1999, RH Group Services, Inc., of Columbia, Tennessee, purchased one million (1,000,000) shares of the Company's common stock, par value one dollar (\$1.00) per share, in consideration of the payment by said company of three dollars (\$3.00) per share in securities. The proper officers of the Company were authorized and directed to execute and deliver a stock certificate representing said shares, upon receipt from said company of three million dollars (\$3,000,000).

On December 16, 2004, the parent, RH Group Services, Inc, injected ten million dollars (\$10,000,000) cash as Paid-in Surplus to the Company.

Effective January 1, 2005, the Company entered contracts to provide administrative services for the Employee Welfare Benefit Plans for several companies located in Columbia, Tennessee. These contracts are discussed under the caption, "PLAN OF OPERATION." The Company does not provide insurance programs or assume financial risk for claims under these agreements.

At December 31, 2005, the Company was licensed in one state, Tennessee.

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Capital</u>	<u>Net Written Premium</u>
2001	\$3,066,219	(\$1,378)	\$2,067,597	\$1,000,000	\$0
2002	3,009,274	11,665	1,997,609	1,000,000	0
2003	2,995,996	6,488	1,989,509	1,000,000	0
2004	13,007,691	6,914	12,000,777	1,000,000	0
2005	14,111,453	748,424	12,363,029	1,000,000	0

CHARTER AND BYLAWS

Charter:

The Charter was filed and recorded with the Secretary of State, State of Tennessee on February 24, 1999, and recorded with the Maury County Register on March 16, 1999. The Charter had been approved by the TDCI on February 17, 1999. The principal purposes of the Company are:

- (i) "To engage in the business of health insurance, including, without limitation, issuing contracts of insurance and/or reinsuring or accepting reinsurance of all forms of health insurance."
- (ii) "To engage in any lawful act or activity for which corporations for profit may be organized under the laws of the State of Tennessee; and the corporation shall have all powers necessary to conduct such business and engage in such activities, including, but not limited to, the powers enumerated in the Tennessee Business Corporation Act or any amendment thereto."

The Charter authorizes a maximum number of one million (1,000,000) shares of common stock with a par value of one dollar (\$1) per share.

The corporation is for profit and its initial registered office is established at Highway 412, Bear Creek Pike, Columbia, Tennessee 38401. The name of the Corporation's initial registered agent at its registered office is Lonnie Roberts.

In addition, the Charter recites other general and specific powers in detail. They are usual in nature and consistent with corporations of this type.

No amendments have been made to the Charter under the period of examination.

Bylaws:

The Bylaws of the Company in effect at December 31, 2005 were adopted by the Board of Directors (Board) on February 25, 1999 at the meeting of the Incorporator and have not been amended or changed during the period covered by this examination.

The Bylaws establish the rules which regulate the affairs of the Company. Said Bylaws contain eight (8) articles which govern the conduct and duties of its stockholders, directors and officers.

The Bylaws provide for an annual stockholders' meeting at which time a Board is elected. Officers were elected by the Board at the first Board meeting after the annual stockholders meeting and annually thereafter.

The Bylaws are such as are generally found in corporations of this type and are consistent with the Charter. They may be altered or amended by the Board or by the affirmative vote of seventy-five percent (75%) of the issued and outstanding shares of common stock of the corporation.

MANAGEMENT AND CONTROL

Board of Directors:

Management of the Company is vested in a Board of Directors elected annually. In accordance with the Bylaws, the Board shall consist of not less than one member nor more than twenty-five (25) members. The following persons had been duly elected and were serving as members of the Company's Board of Directors at December 31, 2005:

Flavius Allen Barker
James Kenneth Cherry
William Evans Nuckols

The Board of Directors is charged with managing the business and affairs of the Company. Directors need not be shareholders of the Company but must be members in good standing of the Tennessee Farm Bureau Federation ("Federation"), which in turn requires membership in good standing of a county Farm Bureau. Though not required by the Charter or Bylaws of the Company, historically, the President of the Company has also served on the Federation Board of Directors and the Tennessee Rural Health Improvement Association ("TRHIA") Board of Directors.

Officers:

The following officers were duly elected and were serving in the positions indicated for the Insurance Company at December 31, 2005:

Flavius Allen Barker	President
Lonnie Earl Roberts	CEO/Treasurer
Terri Rodgers Pinkston	Secretary

The President functions as the Chairman of the Board of Directors and presides over all meetings of the stockholders and the Board of Directors. The President also serves as a conduit to the executive personnel concerning policy established by the Board of Directors. Subject to the control of the Board of Directors, the Chief Executive Officer shall have general management and control of the affairs and business of the Company, and shall perform all other duties and exercise all other powers commonly incident to his office, or which are required by law.

The administrative and executive functions of the Company are performed by the staff

of its upstream parent, TRHIA under recitals of a Management Service Agreement. Relationship with the mentioned association is discussed under the heading "Agreements with Parent, Subsidiaries and Affiliates."

Tennessee Rural Health Improvement Association was founded in 1947 as a Tennessee not-for-profit corporation membership organization which promotes the health of rural people in Tennessee. "According to the founding charter, the purpose of the Association is to develop, foster and promote programs for the general improvement of the health of rural people; including educational work in the fields of nutrition, health and sanitation; promoting the establishment of better hospital and medical facilities and the maximum utilization of such facilities; and to cooperate to this end with other organizations, institutions and agencies, both private and public, for the attainment of the objectives of the Association; and to make available to the members of the Association hospital and surgical insurance at the lowest possible rates.

Additionally, Tenn. Code Ann. 56-2-121(a) states:

"A plan sponsored by a nonprofit group corporation organized and created in this state primarily to promote programs for the improvement of the health of rural people in the state, which plan has provided health care benefits to the members of such corporation for a period in excess of ten (10) years, shall be deemed not to be insurance and not subject to the provisions of this title, to the extent the plan, after July 1, 1993, provides such benefits under a self-funded arrangement; provided, however, that any stop-loss, excess or similar insurance coverage purchased as part of the plan shall be insurance subject to this title."

Since the Company writes no premium, it has been exempted from filing an independent audit report and actuarial certification by the Division of Insurance.

The Company is one hundred percent (100%) owned by RH Group Services, Inc. which is one hundred percent (100%) owned by TRHIA.

A holding company organizational chart is included at the last page of this examination report.

CORPORATE RECORDS

Minutes of meetings of the shareholders and Board of the Company were reviewed for the period under examination. In general, such minutes appear to be in proper order and accurately report the proceedings of each respective meeting.

FIDELITY BOND AND OTHER INSURANCE

Minimum fidelity bond coverage of one hundred twenty-five thousand dollars (\$125,000) to one hundred fifty thousand dollars (\$150,000) is suggested by guidelines published in the NAIC Financial Condition Examiners Handbook. Presently, the Company self insures any employee dishonesty coverage (fidelity).

The Company is presently a named insured under a policy issued to its parent, Tennessee Rural Health improvement Association as follows:

<u>Type of Coverage</u>	<u>Coverage Limits</u>
Directors', Officers, Insured Entity and Employment Practices Liability Insurance Policy	
Limit of Liability (inclusive of costs of Defense)	\$10,000,000

Coverage is underwritten by Great American Insurance Company which is licensed in Tennessee as a "Foreign Property and Casualty Insurer." Fifty thousand dollar (\$50,000) retention per claim applies to Employment Practices Claims, Securities Claims and other specific defined claims outlined in sections of the policy.

The Company's administrative and other services are performed under a Management Service Agreement with TRHIA. Therefore; any workers' compensation coverage would be provided under coverages issued to TRHIA.

TERRITORY

As of December 31, 2005, and as of the date of this examination report, the Company was licensed to transact business in the State of Tennessee. The Certificate of Authority for that jurisdiction was reviewed.

The Company has never written any premium since its inception.

PLAN OF OPERATION

The Company was licensed to write health insurance in the State of Tennessee on July 20, 2000. New product offerings have been explored as well as ways to develop best practices for future administrative processes. No products have been filed for offering to the public since the Company was licensed.

The Company's goal remains to provide supplemental and voluntary insurance products to individuals who are members of TRHIA. Products which have been mentioned

include Medicare supplement, daily income replacement coverage, cancer coverage, small group health insurance and dental protection.

The Company entered into contracts to provide administrative services for the Employee Welfare Benefit Plans of several companies located in Columbia, Tennessee effective January 1, 2005. The Company does not provide insurance programs or assume financial risk for claims under the agreements. The companies are as follows:

Tennessee Farm Bureau Federation
Tennessee Farmers Mutual Insurance Company
Tennessee Farmers Services
Tennessee Livestock Producers
Tennessee Rural Health Improvement Association

All of the five contracts contain the same language which is summarized as follows:

The above referenced companies obtain health and dental insurance through Blue Cross of Tennessee. Blue Cross is paid weekly by the Company and then invoices the individual companies monthly for reimbursements. A fee is paid to the Company for administering this service. In order to ensure adequate cash for payment of claims due to timing of payments and billings, the Company received deposits from the said companies.

The administrative service fee is as follows:

1. Thirty dollars and twenty one cents (\$30.21) per month per Subscriber for Health Coverage
2. Four dollars and sixty cents (\$4.60) per month per Subscriber for Dental Coverage
3. Eighteen dollars and eight cents (\$18.08) per month per Subscriber for Over 65 coverage

All of the agreements are effective until terminated upon sixty (60) days written notice by either party. The signature date on all agreements is in the month of May, 2005. The total amount paid by all five companies for fees during the year 2005 was twenty-six thousand fifty five dollars (\$26,055).

REINSURANCE

The Company was not party to any reinsurance agreement at December 31, 2005. No reinsurance agreements have existed since the Company's inception.

RETIREMENT PLAN AND OTHER EMPLOYEE BENEFITS

The Company has no employees. Any services performed on behalf of the Company are provided by employees of TRHIA under recitals of a Management Services Agreement.

MORTALITY AND LOSS EXPERIENCE

The Company has not written any premium since its inception. Therefore, no health benefits or death benefits have been incurred.

ACCOUNTS AND RECORDS

During the course of examination, such tests and audit procedures were made as were considered necessary, including substantial verification of postings, extensions and footings and reconciliation of subsidiary ledgers to control accounts where necessary. General ledger trial balances were reconciled with copies of annual statements for the years 2001, 2002, 2003, 2004, and 2005.

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.

The Company's Risk Based Capital Report was reviewed. The Company was in compliance with Tenn. Code Ann. § 56-46-101, *et seq.* (Risk Based Capital for Insurers).

Since the Company writes no premium, it has been exempted from filing an independent audit report and actuarial analysis by the Division of Insurance.

Books and records of the Company are kept at the home office location:

147 Bear Creek Pike
Columbia, Tennessee 38401

STATUTORY DEPOSITS

In compliance with statutory requirements, the Company maintained the following deposits at December 31, 2005.

<u>Where Deposited and Description</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Tennessee			
Federal Home Loan Bank Bond 5.375%	\$225,000	\$225,154	\$225,142
Total general deposits held for the benefit of all policyholders of the Company	<u>225,000</u>	<u>225,154</u>	<u>225,142</u>
Total	<u>\$225,000</u>	<u>\$225,154</u>	<u>\$225,142</u>

The above deposit was confirmed with the custodian at the Division of Insurance and with First Farmers and Merchants Bank.

AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

The Company is subject to Tennessee Code Annotated Title 56, Chapter 11, "Insurance Holding Company System Act of 1986".

The Company has a Management Services Agreement with TRHIA, the upstream parent corporation. This agreement was entered into on November 1, 1999 and was filed with the TDCI as part of the licensing process and has been subsequently listed in Form B "Insurance Company System Annual Registration Statement" and Form C "Summary of Registration Statement" Filings made pursuant to Tenn. Code Ann. § 56-11-205. The agreement on file does not have the date of approval stamped.

TRHIA agrees to provide the Company with certain administrative services for its internal operations and processing its insurance business. Such services include general management of the Company; financial record keeping assistance; investment services and analysis; reports to the federal, state, and local taxing and regulatory authorities; and general corporate legal work on a regular basis. The agreement is effective until terminated upon one hundred (100) days written notice by either party.

The Company pays a monthly fee to TRHIA equal to the costs or deductions, determined in accordance with Treasury Regulation Section 1.482-2 (b) (3) et seq. as codified in United States Internal Revenue Code Title 26, incurred by the parent

corporation in rendering the above referenced services. During 2005, the Company paid TRHIA the sum of eighty-nine thousand two hundred fifty-three dollars (\$89,253).

The Company entered into an agreement to provide administrative services for the Employee Welfare Benefit Plan of TRHIA effective January 1, 2005. Said agreement was signed by the Company on May 17, 2005 and by TRHIA on May 27, 2005. Detail of the agreement was previously discussed under the caption "PLAN OF OPERATION." The contract was not filed as a Form D "Prior Notice of a Transaction" Filing with the TDCI. The Company does not assume any financial risk under this transaction.

PECUNIARY INTEREST TENN. CODE ANN. § 56-3-103

The Company has no employees. The administrative and executive functions of the Company are performed by the staff of its ultimate parent, TRHIA under recitals of a Management Service Agreement.

TRHIA has a conflict of interest policy for its directors, officers and responsible employees adopted effective April 5, 2001 which complies with Tenn. Code Ann. § 56-3-103, prohibiting officers and directors from having pecuniary interest in investment or disposition of Company funds. The directors, officers and responsible employees file annual conflict of interest statements.

COMMISSION EQUITY

No reinsurance agreements were in effect at December 31, 2005; therefore, no commission equity could exist.

DIVIDENDS OR DISTRIBUTIONS

No dividends or distributions have been paid to stockholders since the inception of the Company.

LITIGATION

As of December 31, 2005, the Company had no pending litigation which could have a material financial effect.

SUBSEQUENT EVENTS

The Company and its two (2) custodians, Northern Trust and First Farmers and

Merchants Bank completed amendments to their custodian agreements during the course of the examination to insure that the documents complied with the technical language pursuant to Tenn. Comp. R. & Regs. ch. 0780-1-46-.03(2)(a), which became effective on July 12, 2005. The rule states:

“The custodial agreement required by this rule shall contain the following:

1. A provision stating that the standard of responsibility on the part of the custodian shall not be less than that of the responsibility of a bailee for hire or a fiduciary under statutory or case law of Tennessee;
2. A provision stating that the securities held by the custodian are subject to instructions of the insurance company;
3. A provision stating that the securities may be withdrawn immediately upon demand of the insurance company; and
4. A provision stating that the agreement is between the custodian and the insurance company, and not the parent or affiliate of the insurance company.”

The original documents had protective language; however, that language was written in a more generic form than the specific four (4) requirements of the above rule. These amendments were transacted at the request of the Company.

The Northern Trust Amendment was effective on April 10, 2007 exhibiting language compliant with Tenn. Comp. R. & Regs. ch. 0780-1-46-03(2)(a).

The First Farmers and Merchants Bank Amendment was effective on June 5, 2007 exhibiting language compliant with Tenn. Comp. R. & Regs. ch. 0780-1-46-03(2)(a).

As of December 31, 2005, Northern Trust held ten million six hundred ninety-seven thousand two hundred sixty-two dollars (\$10,697,262) in bonds and short-term investments and First Farmers and Merchants Bank held two million three hundred twenty-eight thousand nine hundred twenty-seven dollars (\$2,328,927) in bonds and short-term investments.

The Company signed a Tax Sharing Agreement with TRHIA and RH Group Services Inc. on May 25, 2006 in order to facilitate the filing of a consolidated federal income tax return. Recitals of the agreement stated that “the consolidated tax will be allocated based on the Internal Revenue Service Code 1552(a) and Reg. Sect. 1.1552-1(a)(2) and Reg. Sect 1.1502-33(d).” Intercompany tax balances will be settled at least annually after the return is filed.

The Company noted their intention to file a consolidated federal income tax return for the 2005 year in the Form B Filing of the Insurance Holding Company System Annual

Registration Statement filed with the TDCI on April 26, 2006. The filing additionally stated that the Company intended to consummate a written agreement between TRHIA and RH Group Services Inc. prior to the filing of the final 2005 federal income tax return. The agreement was not filed as a Form D "Prior Notice of a Transaction" Filing with the TDCI.

FINANCIAL STATEMENT

There follows a statement of assets, liabilities and statement of income at December 31, 2005, together with a reconciliation of capital and surplus for the period under review, as established by this examination:

ASSETS

	<u>Ledger Assets</u>	<u>Non-Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$11,585,563			\$11,585,563
Preferred Stocks	0			0
Common Stocks	0			0
Cash and short-term investments	2,160,817			2,160,817
Investment income due and accrued	159,260			159,260
Amounts receivable relating to uninsured plans	205,813			205,813
Net deferred tax asset	161,603		161,603	0
Aggregate write-ins for other than invested Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$14,273,056</u>	<u>\$0</u>	<u>\$161,603</u>	<u>\$14,111,453</u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

	Net
	Liabilities
Aggregate reserve for life contracts	\$0
Aggregate reserve for accident and health contracts	0
Liability for deposit-type contracts	0
Contract claims – life	0
Contract claims - accident and health	0
Premiums and annuity considerations received in advance	0
Contract liabilities not included elsewhere - Interest Maintenance Reserve	0
Commissions to agents due or accrued	
General expenses due or accrued	5,769
Taxes, licenses & fees due or accrued	665
Current federal and foreign income taxes	48,843
Unearned investment income	0
Amounts held for agents' account	0
Remittances and items not allocated	0
Miscellaneous liabilities: Asset valuation reserve	24,147
Miscellaneous liabilities: Liability for amounts held under uninsured accident and health plans	669,000
Aggregate write-ins for liabilities	<u>0</u>
 Total liabilities	 748,424
 Common capital stock	 1,000,000
Gross paid in and contributed surplus	\$12,000,000
Unassigned funds	<u>363,029</u>
Surplus	<u>12,363,029</u>
Total capital and surplus	<u>13,363,029</u>
 Total liabilities, capital and surplus	 <u>\$14,111,453</u>

SUMMARY OF OPERATIONS
 (Excluding Unrealized Capital Gains and Losses)

Premiums and annuity considerations	\$0
Net investment income	503,090
Amortization of interest maintenance reserve	0
Commissions & expense allowances on reinsurance ceded	0
Aggregate write-ins for miscellaneous income (administration services)	<u>26,055</u>
Totals	529,145
Death benefits	0
Disability benefits and benefits under accident and health contracts	0
Surrender benefits and withdrawals for life contracts	0
Interest and adjustments on contract or deposit-type contract funds	0
Increase in aggregate reserves for life and accident and health contracts	<u>0</u>
Totals	0
Commissions on premiums, annuity considerations and deposit-type funds	0
General insurance expenses	89,428
Taxes, licenses and fees	665
Increase in loading on deferred and uncollected premiums	0
Aggregate write-ins for deductions	<u>0</u>
Totals	90,093
Net gain from operations before federal income taxes	439,052
Federal income taxes incurred	<u>34,365</u>
Net gain from operations after federal income taxes and before realized capital gains or (losses)	404,687
Net realized capital gains or (losses)	<u>0</u>
Net income	<u>\$404,687</u>

CAPITAL AND SURPLUS

Surplus as regards policyholders, December 31 prior year		\$13,000,777
Net income	\$404,687	
Net unrealized capital gains (losses)	0	
Change in net deferred income tax	0	
Change in non-admitted assets	(21,614)	
Change in asset valuation reserve	(20,821)	
Surplus adjustments: Paid in	0	
Aggregate write-in for gains and losses in surplus	0	
Change in surplus as regards policyholders for the year		<u>362,252</u>
Surplus as regards policyholders, December 31 current year		<u>\$13,363,029</u>

**RECONCILIATION OF CAPITAL AND SURPLUS
FOR THE PERIOD UNDER EXAMINATION**

Surplus as regards policyholders December 31	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Previous Year	\$3,074,683	\$3,067,597	\$2,997,609	\$2,989,509	\$13,000,777
Net Income	31,850	(33,683)	12,839	36,679	404,687
Change in net unrealized capital gains (losses)	(1,337)	0	0	0	0
Change in net deferred income tax	25,897	0	0	0	0
Change in non-admitted assets	(60,256)	(36,708)	(20,154)	(22,871)	(21,614)
Change in asset valuation reserve	0	0	(786)	(2,540)	(20,821)
Cumulative effect of changes in accounting principles	0	0	0	0	0
Capital changes:					
Paid in	0	0	0	0	0
Surplus adjustments:					
Paid in	0	0	0	10,000,000	0
Aggregate write-ins for gains and losses in surplus	(3,241)	403	0	0	0
Rounding to \$	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>
Surplus as regards to policyholders December 31 Current Year	<u>\$3,067,597</u>	<u>\$2,997,609</u>	<u>\$2,989,509</u>	<u>\$13,000,777</u>	<u>\$13,363,029</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS
RESULTING FROM EXAMINATION

None

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

None

COMMENTS AND RECOMMENDATIONS

Comments:

1. The Company has not written any premium since it was issued a Certificate of Authority by the TDCI effective July 20, 2000.
2. The Company amended its two (2) custodial agreements with Northern Trust and First Farmers and Merchants Bank during the course of the examination to clarify some technical language pursuant to Tennessee Regulations. These agreements were discussed previously in the report under the caption "Subsequent Events."

Recommendations:

1. It is recommended that the Company make Form D "Prior Notice of a Transaction" Filings with the TDCI pursuant to Tenn. Code Ann. § 56-11-206(a)(2) to include both the Tax Sharing Agreement with TRHIA and the "Administrative Services Agreement for the Employee Welfare Benefit Plan of Tennessee Rural Health Improvement Association."

The Tax Sharing Agreement is discussed under the caption, "SUBSEQUENT EVENTS" and the Administrative Services Agreement is discussed under the captions, "PLAN OF OPERATION" and "AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES."

CONCLUSION

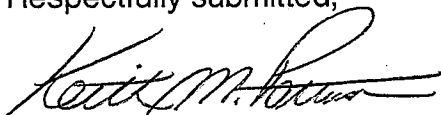
Insurance examination practices and procedures, as promulgated by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities of TRH Health Insurance Company of Columbia, Tennessee.

In such manner, it was determined that, as of December 31, 2005, the Company had admitted assets of fourteen million one hundred eleven thousand four hundred fifty-three dollars (\$14,111,453) and liabilities, exclusive of unassigned funds, of seven hundred forty eight thousand four hundred twenty-four dollars (\$748,424). Thus, there existed for the additional protection of the policyholders, the amount of thirteen million three hundred sixty-three thousand twenty-nine dollars (\$13,363,029) in the form of capital, 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.

In addition to the undersigned, David N. Bobo, Insurance Examiner participated in the work of this examination.


Respectfully submitted,



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

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of TRH Health Insurance Company dated June 13, 2008, and made as of December 31, 2005, on behalf of the Department of Commerce and Insurance, State of Tennessee. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.


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

Subscribed and sworn to before me

this 13th day of

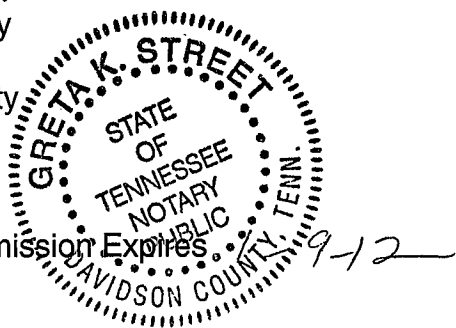
June, 2008

Notary

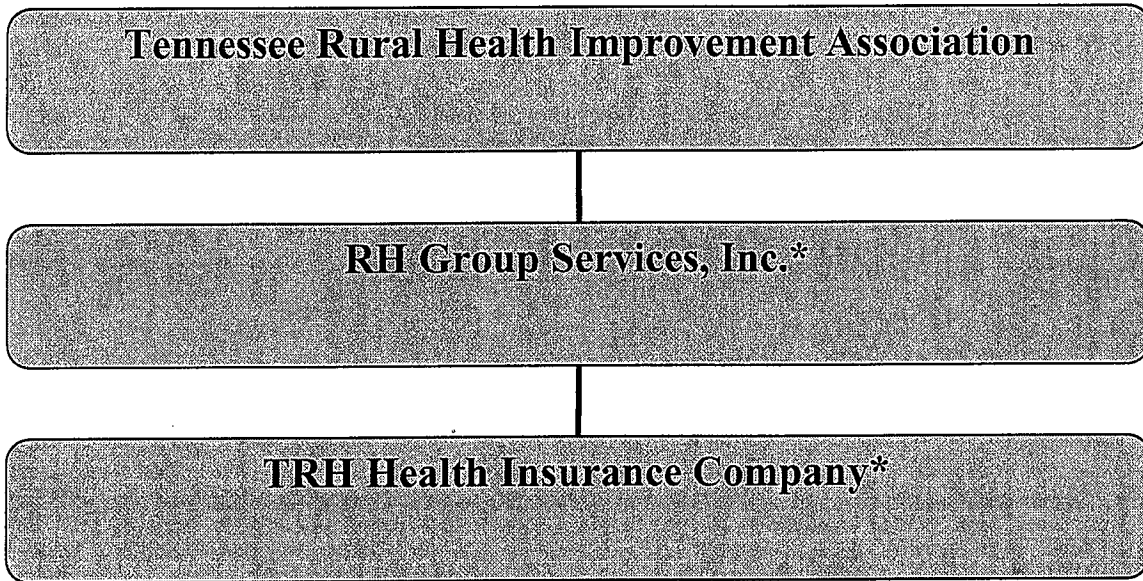
County

State

Commission Expires



ORGANIZATIONAL CHART



* Wholly Owned Companies

At 12/31/2005, 11 members of the Tennessee Rural Health Improvement Board of Directors also served on the Tennessee Farm Bureau Federation Board of Directors.

TRH Health Insurance Company
P.O. Box 1801 * COLUMBIA, TENNESSEE 38402-1801
(931)388-7872 * FAX (931)388-8326

OFFICERS:

Flavius Barker, President
Lonnie Roberts, Chief Executive Officer
Treasurer
Terri Pinkston, Secretary

DIRECTORS:

Flavius Barker
Kenneth Cherry
William Nuckols

June 19, 2008

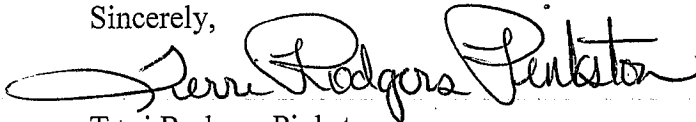
Mr. Philip Blustein
Insurance Examinations Director
Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

RE: Financial Condition Examination of
TRH Health Insurance Company
Made as of December 31, 2005

Dear Mr. Blustein:

I am in receipt of the June 13, 2008 copy of the Examination Report of TRH Health Insurance Company made as of December 31, 2005. I am in agreement with this version of the report and wish to waive our right to a rebuttal.

Sincerely,



Terri Rodgers Pinkston
Secretary, TRH Health Insurance Company

RECEIVED

JUN 14 2008

Dept. Of Commerce and Insurance
Company Examinations