

# **EXHIBIT A**



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

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**REPORT ON EXAMINATION**  
**OF**  
**TRH HEALTH INSURANCE COMPANY**  
**(NAIC # 89005)**

**COLUMBIA, TENNESSEE**

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**AS OF**  
**DECEMBER 31, 2015**

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Columbia, Tennessee  
June 2, 2017

Honorable Julie Mix McPeak  
Commissioner  
Tennessee Department of Commerce and Insurance  
500 James Robertson Parkway  
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tennessee Code Annotated ("Tenn. Code Ann.") § 56-1-408, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope financial examination and a market conduct review as of December 31, 2015, has been made of the conditions and affairs of:

**TRH HEALTH INSURANCE COMPANY**  
NAIC # 89005  
147 Bear Creek Pike  
Columbia, Tennessee 38401-2266

hereinafter generally referred to as "TRHH" or the "Company" 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 NAIC. The examination commenced on July 25, 2016, and was conducted by duly authorized representatives of the TDCI. This examination was called through the NAIC's Financial Examination Electronic Tracking System (FEETS). This examination was performed as a full-scope coordinated group examination and was conducted concurrently with the statutory financial condition examination of Members Health Insurance Company, domiciled in the State of Arizona. The TDCI served as lead state for the coordinated group examination.

## **SCOPE OF EXAMINATION**

The last examination of the Company was made as of December 31, 2010. This examination covers the period January 1, 2011, through December 31, 2015, and

includes any material transactions and/or events occurring subsequent to the examination date which were 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 the *NAIC Financial Condition Examiners Handbook* ("Handbook"), as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Company as of December 31, 2015. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, by identifying and assessing inherent risks within the Company, 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 annual statement instructions.

During planning, all accounts and balances were reviewed to determine which key activities and accounts would be examined. The key activities included: Investments; Underwriting; Reserving/Claims Handling; and Related Parties.

The Company's 2015 annual statement was compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology general controls (ITGC) was conducted. The examination included a review of management and organizational controls, logical and physical security controls, system and program development and change controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct review was also performed concurrently with the financial examination.

Although the Company does not maintain an Internal Audit (IA) Department, it does have internal controls that are tested regularly. As such, tests of controls were used whenever possible to reduce the amount of substantive test work required to determine completeness and accuracy of annual statement financial reporting.

Independent actuaries, Lewis & Ellis, Inc., were utilized in the review of the Company's loss reserves.

Johnson Lambert LLP was the certified public accountant (CPA) and independent auditor for the Company for the years under examination. The CPA's work papers were reviewed for the 2015 audit and copies were incorporated into the examination, as deemed appropriate.

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

## **COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS**

The examination included a review to determine the current status of the comments and recommendations included in the previous report on examination, dated June 14, 2012, which covered the period from January 1, 2005, through December 31, 2010. The previous full-scope examination report as of December 31, 2010, contained one (1) comment and one (1) recommendation. The Company addressed the comment during the course of the previous examination. Below is a description of the prior examination report's comments and recommendations:

### **Comment:**

The Company replied to the TDCI on May 26, 2011, of its intention to non-admit any Receivable from Parent which is not collateralized on future financial filings. The \$2,205,117, which was due as of December 31, 2010, represents the December settlement of premium which was due under the Assumption Agreement with Tennessee Rural Health Improvement Association. The premium settlement for each month is settled by the 20th of the following month as provided for by the agreement.

### **Recommendation:**

It is recommended that the Company non-admit any Receivable from Parent which is not collateralized in order to comply with Tenn. Code Ann. § 56-1-405 which states:

"The commissioner may, in the commissioner's discretion, disallow stockholders' obligations of any description as part of the assets or capital of any insurance company, unless secured by competent collateral."

The Company has complied by reporting receivables from its parent as non-admitted in subsequent financial statements.

## 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.

On February 25, 1999, RH Group Services, Inc. (RHGS), of Columbia, Tennessee, purchased one million (1,000,000) shares of the Company's common stock, par value \$1.00 per share, in consideration of the payment of \$3.00 per share in securities. The officers of the Company were authorized to execute and deliver a stock certificate representing said shares, upon receipt of \$3,000,000. At December 31, 2015, the Company has one million (1,000,000) shares of common stock authorized and one million (1,000,000) shares of common stock issued at \$1 par value per share. All shares are owned by RHGS.

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 December 16, 2004, the parent, RHGS injected \$10,000,000 cash as paid-in surplus to the Company.

Effective March 22, 2010, the Company entered into an assumption reinsurance and risk transfer agreement with Tennessee Rural Health Improvement Association (TRH). All of the under-age-sixty-five (65) health insurance contracts from TRH were transferred to the Company. On December 20, 2010, RHGS made a capital contribution of \$26,175,107 to better capitalize and support the assumption of the new business.

During 2011, RHGS made capital contributions to the Company totaling \$14,000,000. During 2012, RHGS made additional capital contributions of \$3,000,000.

Effective January 10, 2015, the Company entered into an Assumption Reinsurance and Risk Transfer Agreement with TRH. On completion of the transaction, TRH contributed capital of \$17,301,244 to the Company.

At December 31, 2015, the Company was licensed in one state, Tennessee.

## MANAGEMENT AND CONTROL

### MANAGEMENT

Management of the Company is vested in a Board of Directors ("Board") elected annually. In accordance with the Bylaws, the Board shall consist of not less than one (1) nor more than twenty-five (25) directors. The following persons had been duly elected and were serving as directors of the Company's Board at December 31, 2015:

<u>Name</u>	<u>Principal Occupation</u>
Lonnie Earl Roberts	President and Chairman of the Board; Retired CEO of TRH Health Insurance Company
James Kenneth Cherry	Retired CEO of Tennessee Rural Health Improvement Association
Dan Hare Elrod	Partner, Butler Snow, LLP
Barbara Jean Holder	Retired Manager of Claims & Service of BlueCross BlueShield of Tennessee

The Board 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") and must be a member in good standing of a county Farm Bureau.

### Officers:

The following officers were duly elected and were serving in the positions indicated at December 31, 2015:

<u>Name</u>	<u>Position</u>
Lonnie Earl Roberts	President
Anthony Craig Kimbrough	Chief Executive Officer
Ryan Douglas Brown	Secretary, Chief Compliance/Privacy Officer
LeAnn Garner Tice	Treasurer, Chief Operating and Financial Officer

The President functions as the Chairman of the Board and presides over all meetings of the stockholders and the Board. The President also serves as a conduit to the executive personnel concerning policy established by the Board. Subject to the control of the Board, the Chief Executive Officer (CEO) 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.

## Committees

The Company's Investment Committee at December 31, 2015, is as follows:

<u>Name</u>	<u>Title</u>
Anthony Craig Kimbrough	Chief Executive Officer
LeAnn Garner Tice	Treasurer, Chief Operating and Financial Officer
Ryan Douglas Brown	Secretary, Chief Compliance/Privacy Officer
Randy Wilmore	Executive Vice President of Business Development
Renee Adams	Vice President of Accounting and Investments

The Company's Audit Committee at December 31, 2015, is as follows:

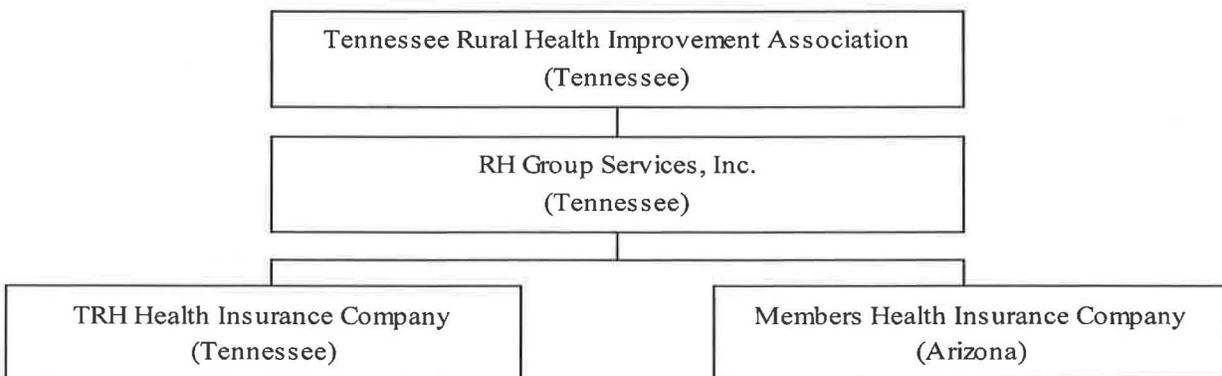
<u>Name</u>	<u>Title</u>
Lonnie Earl Roberts	President/Director
James Kenneth Cherry	Director
Barbara Jean Holder	Director

The administrative and executive functions of the Company are performed by the staff of its upstream parent, TRH, under recitals of a Management Services Agreement. The agreement is further detailed under the caption, "Agreements with Parent, Subsidiaries, and Affiliates."

## CONTROL

The Company is a member of an insurance holding company system. The Company's immediate parent is RHGS. The "Ultimate Controlling Person" (UCP) is TRH, as shown in the following organizational chart:

### ORGANIZATIONAL CHART



**Note:** Control is 100% for each entity shown.

## **CONFLICTS OF INTEREST AND PECUNIARY INTERESTS**

The Company established a conflict of interest policy for its Directors and Officers to attest to compliance with Tenn. Code Ann. § 56-3-103, prohibiting officers and directors from having pecuniary interest in investment or disposition of Company funds. The officers and directors filed annual conflict of interest statements for each year under examination.

## **DIVIDENDS**

During the period of examination, the Company did not pay any dividends.

## **CORPORATE RECORDS**

The minutes of meetings of the Company's shareholders, Board, and committees were reviewed for the period under examination. They were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies.

## **Charter**

The Charter of the Company in effect as of December 31, 2015, is the Company's original charter, which was filed and recorded with the Tennessee Secretary of State, on February 24, 1999, and recorded with the Maury County Register of Deeds, on March 16, 1999. The Charter was approved by the TDCI on February 17, 1999.

The Charter states that the purpose of the Company is "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." In addition, the Charter recites other general and specific powers in detail. They are usual in nature and consistent with corporations of this type.

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

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

## **Bylaws**

The Restated Bylaws of the Company, in effect as of December 31, 2015, were amended effective March 12, 2013. This amendment added the position of Chief Operating Officer to the officers of the Company that are to be elected annually.

The current Bylaws are such as are generally found in corporations of this type and contain no unusual provisions. They provide for the regulation of the business and for the conduct of the affairs of the Company, the Board, and its shareholders.

## **AGREEMENTS WITH PARENT, SUBSIDIARIES, AND AFFILIATES**

The Company has several agreements with affiliated companies in effect, as of December 31, 2015. The following are summaries of the agreements:

### **Management Services Agreement**

The Company has a Management Services Agreement with TRH, the upstream parent corporation. This agreement was entered into on March 22, 2010. TRH 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 TRH equal to the costs or deductions, determined in accordance with Treasury Regulation Section 1.482-2 *et seq.* as codified in United States Internal Revenue Code Title 26, incurred by the parent corporation in rendering the above referenced services. The agreement was approved by the TDCI on October 29, 2010.

### **Tax Allocation Agreement**

The Company is party to a tax sharing agreement with TRH which also includes RHGS, and Members Health Insurance Company. The current agreement is dated February 22, 2010. The agreement was filed as a Form D "Prior Notice of a Transaction" filing with the TDCI, dated December 4, 2009, and was later deemed approved.

A consolidated return is filed for the four entities above. Allocation is based upon separate return calculations with the ability to recoup net losses against future net income subject to federal taxes. Intercompany balances are settled at least annually, after the return is filed.

### **Administrative Services for Employee Benefits**

The Company entered into contracts to provide administrative services for the employee welfare benefit plans of the Federation, Tennessee Farmers Mutual Insurance Company, Tennessee Farmers Services, Tennessee Livestock Producers and TRH, effective January 1, 2005. The Company receives an administrative fee for administering health and dental benefits for each company's employees.

The Company does not assume any insurance or financial risk in administering the claims for the employee benefit plans. Amounts are transferred to the Company weekly by each benefit plan for their respective claims.

## **FIDELITY BOND AND OTHER INSURANCE**

Minimum fidelity bond coverage of \$1,000,000 to \$1,250,000 is suggested by guidelines published in the NAIC Handbook. The Company is a named insured on a Financial Institution bond issued to its parent, TRH, in the amount of \$10,000,000, which exceeds the recommended coverage. The coverage is written by an insurer licensed in Tennessee.

## **EMPLOYEE BENEFITS AND PENSION PLANS**

The Company has no employees. Any services performed on behalf of the Company are provided by employees of TRH under a Management Services Agreement. This agreement is discussed under the caption, "Agreements with Parent, Subsidiaries, and Affiliates."

## **TERRITORY AND PLAN OF OPERATION**

### **TERRITORY**

As of December 31, 2015, and as of the date of this report, the Company was licensed to transact business in the State of Tennessee. The Certificate of Authority for that jurisdiction was reviewed and found to be in order.

Premium tax records were reviewed for Tennessee, and no exceptions were noted.

### **SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN**

<u>State</u>	<u>Accident &amp; Health Premiums</u>
Tennessee	<u>\$288,815,303</u>
<u>Totals</u>	<u>\$288,815,303</u>

### **PLAN OF OPERATION**

The Company was licensed to write health insurance in the State of Tennessee on July 20, 2000. The Company's goal remains to provide supplemental and voluntary

insurance products to individuals who are members of TRH. No premium was written by the Company until 2010, when the Company entered into an agreement with TRH whereby all of the under-age-sixty-five (65) health insurance contracts from TRH were transferred to the Company. Effective January 1, 2015, the Company entered into an agreement with TRH whereby standardized Medicare Supplement contracts were transferred from TRH to the Company. These agreements are discussed more fully in the “Reinsurance” section of this report.

On November 1, 2015, the Company began offering six (6) non-subsidized ACA-compliant plans in all regions of Tennessee. The first effective date of the plans was January 1, 2016.

Claims processing was performed by BlueCross BlueShield of Tennessee, Inc. (BCBST), under an Administrative Services Agreement with TRH until July 1, 2015, when the agreement was terminated. BCBST continued to process claims with service dates prior to July 1, 2015, and to process run out claims until June 30, 2016. UMR, Inc. began processing claims for the Comprehensive Medical Plans on July 1, 2015. TRH began processing Medicare Supplement Plan claims for the Company on July 1, 2015.

## **GROWTH OF COMPANY**

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Net Premium Written</u>	<u>Capital and Surplus</u>	<u>Hospital and Medical Benefits Paid</u>	<u>Net Income After Taxes</u>
2015	\$120,665,027	\$288,815,303	\$79,293,358	\$235,573,659	\$9,763,126
2014	\$82,858,539	\$159,504,322	\$53,275,632	\$141,579,539	(\$712,531)
2013	\$87,341,824	\$175,777,095	\$55,144,621	\$154,204,255	(\$6,339,213)
2012	\$82,618,410	\$182,023,428	\$58,623,397	\$152,579,847	\$13,484,190
2011	\$80,401,543	\$186,747,165	\$43,533,857	\$174,108,590	(\$11,870,648)

## LOSS EXPERIENCE

The Company's loss experience since the previous examination, as reported in its annual statements, are as follows:

<u>Year</u>	<u>Total Revenues</u>	<u>Total Hospital &amp; Medical Expenses</u>	<u>Medical Loss Ratio</u>
2015	\$287,645,944	\$235,473,659	81.9%
2014	159,683,283	137,154,539	85.9%
2013	175,877,965	162,229,255	92.2%
2012	182,170,080	147,529,847	81.0%
2011	<u>186,514,763</u>	<u>176,440,850</u>	<u>94.6%</u>
Total	<u>\$991,892,035</u>	<u>\$858,828,150</u>	<u>86.6%</u>

## REINSURANCE AGREEMENTS

Effective March 22, 2010, the Company entered into an assumption reinsurance and risk transfer agreement with TRH. All of the under-age-sixty-five (65) health insurance contracts from TRH were transferred to the Company. This equated to approximately fifty-four thousand, five hundred sixty-five (54,565) contracts which produced in excess of \$147,000,000 in premiums. The business is comprehensive and major medical health plans. The assumption transferred business from TRH to a licensed insurance company in order for the plans to qualify under new federal regulation. This allowed the policyholder to keep the plan and not be forced to change in 2014 under the omnibus healthcare legislation enacted by Congress. The deadline for plans to be "grandfathered" required them to be in effect as of March 23, 2010, which was the date that the President of the United States signed the Patient Protection and Affordable Care Act (PPACA). The assumption was effective March 22, 2010.

Effective January 1, 2015, the Company entered into an Assumption Reinsurance and Risk Transfer Agreement with TRH. Under the agreement, standardized Medicare Supplement contracts were transferred from TRH to the Company. As part of the agreement, TRH transferred supporting assets to the Company, along with liabilities for incurred but not reported claims, loss adjustment expenses, unearned premiums, and premiums received in advance.

## LITIGATION AND CONTINGENT LIABILITIES

During the period of examination and as of December 31, 2015, the Company is a party to various pending legal proceedings arising in the ordinary course of business. Based upon the opinion of its counsel as to the ultimate disposition of such lawsuits and claims, Company management believes that contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the Company.

## STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the named jurisdictions or custodians as of December 31, 2015.

### GENERAL DEPOSITS

<u>Jurisdiction</u>	<u>Description of Security</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Par Value (Dollars)</u>
Tennessee - Department of Insurance	Connecticut St. Taxable Go Ed Ser. A, 2.172%, CUSIP#20772JQK1, Maturity 8/15/2018	\$225,696	\$228,389	\$225,000
	<b>Total General Deposits</b>	<b>\$225,696</b>	<b>\$228,696</b>	<b>\$225,000</b>

Deposits with said jurisdictions or custodians were verified by direct correspondence with the custodians of such deposits.

## ACCOUNTS AND RECORDS

Tenn. Comp. R. & Regs. 0780-01-65-.08(4)(a), states that no partner or other person responsible for rendering a report by a certified public accounting (CPA) firm may act in that capacity for more than five (5) consecutive years. The Company was audited by Johnson Lambert, LLP for all years under examination. The CPA firm is in compliance with this regulation.

During the course of the examination, certain balances were tested and amounts were traced from the Company's trial balance to the annual statement. All of the Company'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. The Company's risk-based

capital filings were reviewed. These test checks and reviews revealed no material discrepancies.

The Company's books and records are located in Columbia, Tennessee.

## **MARKET CONDUCT ACTIVITIES**

A market conduct review was made of the Company as of December 31, 2015, in conjunction with this examination. The following items were addressed:

### **Underwriting, Rates and Policy Forms**

In the examination of underwriting and rating, Company operations were examined for compliance with their own underwriting guidelines, filed rates and forms, and applicable statutes and rules. In conducting the examination, random samples were selected from open, closed, and declined underwriting files. As a result of examination, no issues or concerns were identified.

### **Complaint Handling Practices**

The Company's complaint handling procedures and complaints received by the Company were examined to ensure that records maintained by the Company were in accordance with applicable statutes, rules and regulations, and that the time-frame within which the Company responded to complaints was reasonable. As a result of examination, no issues or concerns were identified.

### **Advertising**

All advertising and sales materials used by the Company were examined for compliance with statutory and rule requirements. As a result of examination, no issues or concerns were identified.

### **Claims Handling Practices**

The Company's efficiency of claims handling, accuracy of payment, adherence to contract provisions, and compliance with applicable statutes and rules were examined. In conducting the examination, random samples were selected from claims approved and resisted by the Company. As a result of examination, no issues or concerns were identified.

### **Antifraud Plan**

The Company has a formal antifraud plan with procedures in place for the prevention, detection, and prosecution of fraudulent acts. As a result of examination, no issues or concerns were identified.

### **Privacy of Consumer Information**

The Company's policies and procedures for the privacy of consumer information were examined to ensure the Company had developed and implemented written policies and procedures for the management of confidential and personal insurance information. As a result of examination, no issues or concerns were identified.

### **SUBSEQUENT EVENTS**

The Company is now subject to the annual Insurance Industry fee under Section 9010 of the PPACA, with an annual amount due based on the ratio of the Company's net premiums written during the preceding calendar year to the aggregate amount of health insurance for any U.S. health risk that is written during the preceding calendar year. Although the collection of this fee has been suspended for the 2017 calendar year, the fee will be payable in 2018.

## FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of revenue and expenses as of December 31, 2015, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2015 Annual Statement.

### ASSETS

	<u>Assets</u>	<u>Non- admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$89,485,217		\$89,485,217
Common stocks	4,985,421		4,985,421
Cash and short-term investments	21,809,425		21,809,425
Investment income due and accrued	1,090,013		1,090,013
Uncollected premiums and agents' balances	31,518		31,518
Current federal and foreign income tax recoverable	32,360		32,360
Net deferred tax asset	1,498,059	\$65,357	1,432,702
Receivables from parent, subsidiaries and affiliates	899,516	899,516	
Health care and other amounts receivable	1,798,371		1,798,371
Aggregate write-ins for other-than-invested assets	981	981	0
<b>Totals</b>	<u>\$121,630,881</u>	<u>\$965,854</u>	<u>\$120,665,027</u>

## LIABILITIES, CAPITAL, AND SURPLUS

	<b>Covered</b>	<b>Uncovered</b>	<b>Total</b>
Claims unpaid	\$28,076,727		\$28,076,727
Unpaid claims adjustment expenses	783,814		783,814
Aggregate health policy reserves	5,479,718		5,479,718
Premiums received in advance	981,768		981,768
General expenses due or accrued	4,327,451		4,327,451
Aggregate write-ins for other liabilities	<u>1,722,192</u>		<u>1,722,192</u>
<b>Total liabilities</b>	<u>41,371,669</u>		<u>41,371,669</u>
Aggregate write-ins for special surplus funds			2,484,892
Common capital stock			1,000,000
Gross paid in and contributed surplus			72,476,351
Unassigned funds (surplus)			<u>3,332,115</u>
Total capital and surplus			<u>79,293,358</u>
<b>Total liabilities, capital and surplus</b>			<u>\$120,665,027</u>

## STATEMENT OF INCOME

	<b>Uncovered</b>	<b>Total</b>
Member Months		<u>1,413,329</u>
Net premium income		\$288,815,303
Change in unearned premium reserves		(1,212,927)
Aggregate write-ins for other health care related revenues		<u>43,568</u>
Total revenues		<u>287,645,944</u>
<b>Hospital and Medical:</b>		
Hospital/medical benefits		54,732,507
Other professional services		104,673,412
Emergency room and out-of-area		55,943,016
Prescription drugs		<u>20,224,723</u>
<b>Total hospital and medical</b>		<u>235,573,659</u>
Claims adjustment expenses		7,932,333
General administrative expenses		34,251,159
Increase in reserves for life and accident and health contracts		<u>(100,000)</u>
Total underwriting deductions		<u>277,657,151</u>
Net underwriting gain or (loss)		9,988,793
Net investment income earned		4,151,543
Net realized capital gains or (losses)		<u>145,073</u>
Net investment gains or (losses)		<u>4,296,616</u>
Net income before federal income taxes		14,285,409
Federal income taxes incurred		<u>4,522,283</u>
Net income		<u>\$9,763,126</u>

**CAPITAL AND SURPLUS ACCOUNT**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital and surplus					
December 31, prior year	\$53,275,632	\$55,144,621	\$58,623,397	\$43,533,857	\$40,618,027
Net Income	9,763,126	(712,531)	(6,339,213)	13,484,190	(11,870,648)
Change in net unrealized capital gains or (losses)	(193,567)	172,968	149,399	156,180	70,502
Change in net deferred income tax	(281,195)	(1,301,353)	2,989,527	(1,774,871)	775,234
Change in non-admitted assets	(571,884)	(28,074)	(278,489)	224,040	(59,258)
Surplus adjustments:					
Paid in	17,301,244			3,000,000	14,000,000
Rounding	2	1		1	
Net change in capital and surplus for the year	26,017,726	(1,868,989)	(3,478,776)	15,089,540	2,915,830
Capital and surplus					
December 31, current year	<u>\$79,293,358</u>	<u>\$53,275,632</u>	<u>\$55,144,621</u>	<u>\$58,623,397</u>	<u>\$43,533,857</u>

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

No adjustments were made to surplus as a result of this examination.

## **SUMMARY SCHEDULE FOR CHANGES IN CAPITAL AND SURPLUS**

There were no adjustments to capital and surplus as of December 31, 2015, based on the results of this examination.

## **COMMENTS**

The following list presents a summary of comments and recommendations noted in this report:

### **Comments**

None.

### **Recommendations**

None.

## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in connection with the verification and valuation of assets and the determination of liabilities of TRH Health Insurance Company.

In such manner, it was found that as of December 31, 2015, the Company had admitted assets of \$120,665,027 and liabilities, exclusive of capital and surplus, of \$41,371,669. Thus, there existed for the additional protection of the policyholders, the amount of \$79,293,358 in the form of common capital stock of \$1,000,000, special surplus funds of \$2,484,892, gross paid in and contributed surplus of \$72,476,351, and unassigned funds of \$3,332,115. Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum capital of \$1,000,000 and minimum surplus of \$1,000,000. Therefore, the Company as of December 31, 2015, for this examination maintains capital and surplus in excess of the amounts required pursuant to Tenn. Code Ann. §§ 56-2-114 and 56-2-115.

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, Daniel Clements, CPA, and Jonathan Habart, CPA, Insurance Examiners for the State of Tennessee, and Carol Riley, AES, CISA, and Stefan Obereichholz-Bangert, CISA, Insurance Examiners with the firm Noble Consulting Services, Inc., Indianapolis, Indiana, representing the State of Tennessee, participated in the work of this examination. An actuarial review was performed by Michael Mayberry, FSA, MAAA, of the actuarial firm Lewis & Ellis, Inc., Richardson, Texas.

Respectfully submitted,



Rhonda Bowling-Black, CFE, ARe, MCM  
Examiner-in-Charge  
State of Tennessee

## AFFIDAVIT

The undersigned deposes and says that she has duly executed the attached examination report of TRH Health Insurance Company located in Columbia, Tennessee, dated June 2, 2017, and made as of December 31, 2015, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says she is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of her knowledge, information and belief.



Rhonda Bowling-Black, CFE, ARe, MCM  
Examiner-in-Charge  
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 19 day of June, 2017

Mindy C. Walker  
(NOTARY)

My Commission Expires: 7.6.2020



# **EXHIBIT B**

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

June 19, 2017

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 – **TRH Health Insurance Company**

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for **TRH Health Insurance Company**.

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

Sincerely,



Renee Adams  
Chief Financial Officer