

EXHIBIT A



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
U.S. LEGAL SERVICES, INC.
JACKSONVILLE, FLORIDA

AS OF
DECEMBER 31, 2023

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Jacksonville, Florida
June 11, 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.”) § 56-1-408, a full-scope financial examination and market conduct review, as of December 31, 2023, has been made of the condition and affairs of:

U.S. Legal Services, Inc.
NAIC # 14689
8133 Baymeadows Way
Jacksonville, Florida 32256

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

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or “Department”). The examination was conducted by duly authorized representatives of the Department. This examination was called through the National Association of Insurance Commissioners (NAIC) Financial Examination Electronic Tracking System (FEETS).

The examination was performed as part of the full scope coordinated examination of the insurers comprising the U.S. Legal Services Group (“USLS Group”) whose domestic State Insurance Departments elected to participate in the coordinated examination. The USLS Group includes insurers domiciled in Tennessee, Mississippi, Alabama, Florida, and Virginia. The coordinated examination is led by the State of Tennessee with the State of Mississippi electing to participate. The States of Alabama, Florida, and Virginia have elected not to participate in the coordinated examination effort.

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2018. This examination covers the period January 1, 2019, through December 31, 2023, and includes any material transactions and/or events occurring subsequent to the examination date.

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 in the *Financial Condition Examiners Handbook* ("Handbook"), as deemed appropriate. 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.

All significant risks were considered when planning which key activities and accounts would be examined. The key activities included: Capital and Surplus; Investments; Related Party; Reserves/Claims Handling; and Underwriting.

An information technology (IT) specialist, a sub-contractor of the firm Lewis & Ellis, LLC, was utilized in the examination to perform the review of the Company's information technology general controls (ITGC).

An actuarial specialist, of the firm Lewis & Ellis, LLC, was utilized in the examination review of the Company's statutory reserves, as well as the risk assessment and review of controls for the reserves risks of the Reserves/Claims Handling key activity.

The Company's certified public accountant (CPA) workpapers were reviewed for the 2023 audit and incorporated into the examination, as deemed appropriate.

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

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The examination included a review to determine the current status of the comments and recommendations from the previous report of examination dated May 31, 2020, which covered the period from January 1, 2014, through December 31, 2018. The previous full-scope examination contained one (1) comment, detailed below.

Comments

Within the previous full-scope examination report, it was noted that one (1) agent was not properly licensed which resulted in a violation of Tenn. Code Ann. § 56-6-103, which states, “a person shall not sell, solicit, or negotiate in this state for any class or classes of insurance unless the person is licensed for that line of authority in accordance with this part.”

Corrective Action

The failure to properly license one (1) agent was remediated prior to the conclusion of the prior examination.

The current examination’s Market Conduct procedures did not result in any additional observations of non-compliance. See the “Market Conduct Activities” section of this report.

COMPANY HISTORY

The Company, under the name U.S. Legal Services of Tennessee, Inc. was incorporated on November 5, 2002, under the Tennessee Business Corporation Act as a for-profit legal insurance company. On March 12, 2003, the Company was issued a Certificate of Authority to transact the business of legal insurance pursuant to Tenn. Code Ann. §§ 56-43-101, *et seq.* The Company commenced business on April 1, 2003. The business purpose was to provide legal insurance as defined by Tenn. Code Ann. § 56-43-103(4).

The Company changed its legal name to its present name by charter amendment on August 13, 2013. A certificate of authority reflecting the new name was issued November 26, 2013.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

Management of the Company is vested in a Board of Directors ("Board") elected annually. In accordance with the Bylaws, the Board shall consist of at least three (3) members, and not more than seven (7) members.

The following persons were duly elected and serving as directors, as of December 31,

<u>Name</u>	<u>Principal Business Affiliation</u>
Marie Mustakas Forbes	U.S. Legal Services, Inc.
Julia Anne-Marie Lynn	U.S. Legal Services, Inc.
Jack Theis	Delta Airlines

Mr. Theis resigned subsequent to the examination as of date and was replaced by John Forbes II, an employee of the Company and son of Marie Forbes, President and ultimate controlling person of the Company.

Officers

The Bylaws provide that the officers of the corporation may hold more than one (1) office and are appointed by the Board.

The following persons were serving as officers of the Company, as of December 31, 2023:

<u>Name</u>	<u>Title</u>
Marie Mustakas Forbes	President and Treasurer
Julia Anne Marie Lynn	Secretary

COMMITTEES

During the examination period, the Board delegated certain duties and responsibilities to the audit committee. The audit committee was comprised of all the directors.

CONTROL

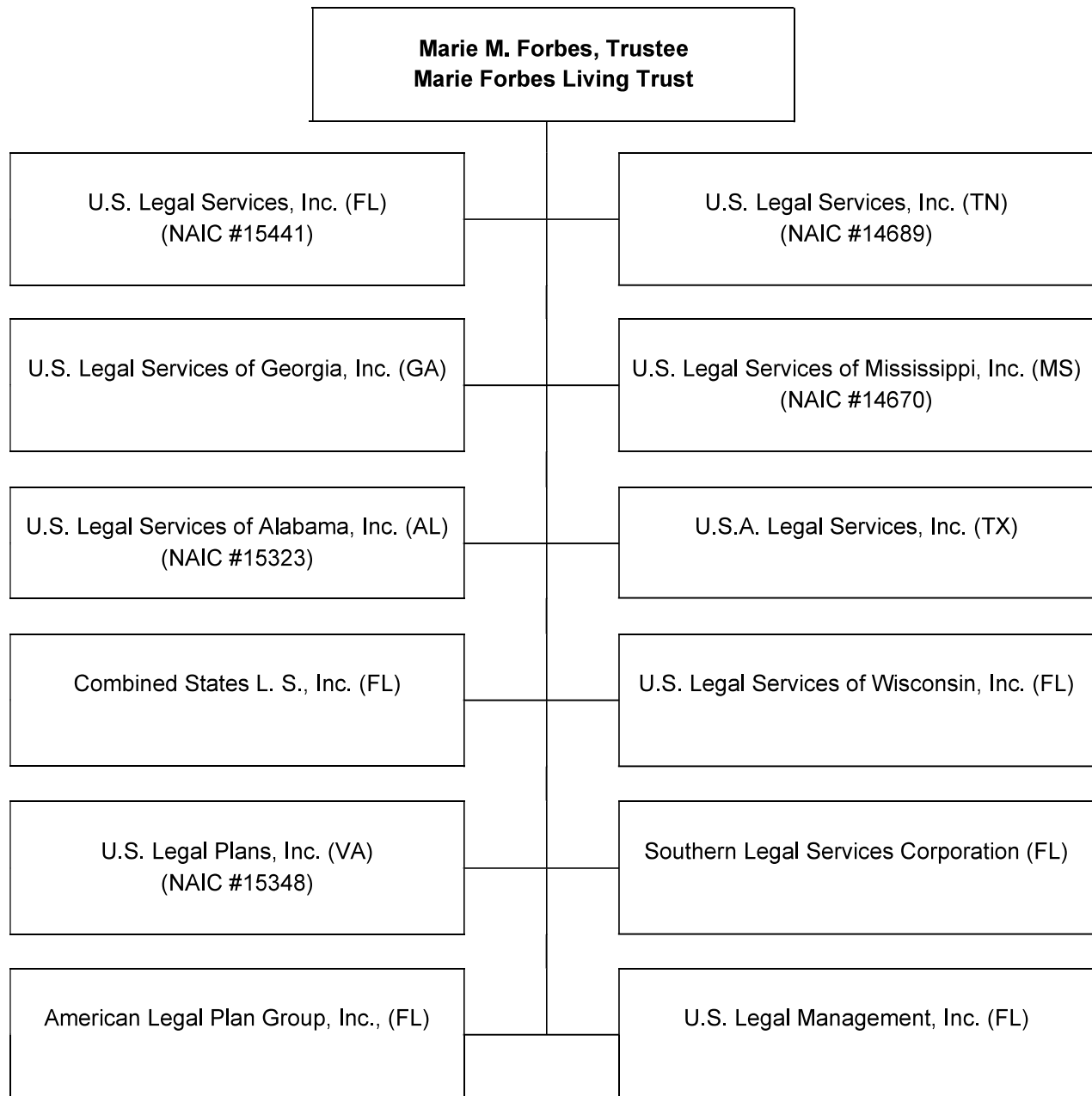
Ultimate control of the Company is vested with Marie M. Forbes, as trustee of the Marie M. Forbes Living Trust.

SUBSIDIARIES AND AFFILIATED COMPANIES

The Company has affiliates through common ownership and no subsidiaries. See the organizational chart below.

ORGANIZATIONAL CHART

The following organizational chart shows the affiliated entities within the Marie M. Forbes Living Trust holding company system as of December 31, 2023. All entities are one hundred percent (100%) owned by Marie M. Forbes Living Trust.



AGREEMENTS WITH PARENT, SUBSIDIARIES, AND AFFILIATES

The Company had the following significant agreement with an affiliated company in effect as of December 31, 2023:

Service Agreement

Effective January 1, 2018, the Company entered into a service agreement with U.S. Legal Management, Inc. (USLM). Under this agreement, USLM is established as a service provider providing operations and administration, claims administration, premium collections, attorney management, quality control, internal control, accounting, cash and investment management, regulatory, marketing, and IT support services. USLM is paid a service fee by the Company, based on a percentage of monthly premium revenue of the Company.

Master Inter-Company Service Agreement

On January 1, 2021, whereas this agreement is retroactive to January 1, 2018, the Company became a party to the Master Inter-Company Service Agreement with the other affiliated insurance entities and Combined States L.S., Inc. of the USLS Group allowing for the parties to the agreement to serve as providers on behalf of the other entities, deemed the recipients when receiving services, established as parties to the agreement. The terms and purpose of this agreement are to establish the entities of the USLS Group as both recipients and providers of services on behalf of the other and dictate the terms of reimbursement to and from the parties providing and receiving the services

CORPORATE RECORDS

The minutes of meetings of the shareholder, directors, and committees were reviewed for the period under examination. The minutes were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies. The review of the minutes indicates that all investment transactions were approved by the Board pursuant to Tenn. Code Ann. § 56-3-408(b)(1).

Charter

No amendments to the Charter were enacted during the period of examination.

Bylaws

No amendments to the Bylaws were enacted during the period of examination.

TERRITORY AND PLAN OF OPERATION

TERRITORY

As of December 31, 2023, the Company was licensed to transact business in the states of Arizona, Tennessee, and Utah. As of the examination date, the Company was writing

business in the three (3) states in which it was licensed.

PLAN OF OPERATION

The Company provides prepaid legal service products to its policyholders. The Company offers two (2) prepaid legal products in states where it transacts business: CDL Defender and Family Defender. Plans are offered individually or through a sponsor. The sponsor is a person, business, or motor carrier that offers the plan to their employees or owner operators.

The CDL Defender Plan is designed to provide legal expense insurance and is available primarily for commercial drivers and trucking companies. The Family Defender Plan is designed to provide legal expense insurance and is available for policyholders and their families. The member pays a monthly premium, and the contracted attorney's fees are paid by the Company. The policies sold by the Company are on a claims-made basis.

In addition to the Family Defender and CDL Defender products, the USLS Group offers a plan enhancement that provides identity theft assistance from Fraud Resolution Specialists, known as the Identity Defender. In addition to legal services, contracts provide other member services, including providing contact information of an attorney practicing the applicable type of law, and appointment scheduling.

GROWTH OF COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2023	\$5,240,178	\$146,104	\$5,094,075	\$540,086	\$160,150
2022	\$5,047,560	\$157,573	\$4,889,990	\$920,106	\$209,124
2021	\$4,923,187	\$166,563	\$4,756,625	\$1,126,978	\$234,769
2020	\$4,762,802	\$266,696	\$4,496,106	\$1,853,623	\$376,806
2019	\$4,477,276	\$405,548	\$4,071,728	\$2,565,986	\$521,611

LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements, the ratios of losses incurred to direct premiums earned, for the period subject to the examination were as follows:

<u>Year</u>	<u>Losses</u> <u>Incurred</u>	<u>LAE</u> <u>Incurred</u>	<u>Premiums</u> <u>Earned</u>	<u>Loss</u> <u>Ratio</u>
2023	\$27,879	\$24,519	\$540,086	9.70%
2022	\$58,473	\$24,006	\$920,106	8.96%
2021	\$61,050	\$46,977	\$1,126,978	9.59%
2020	\$144,761	\$60,809	\$1,853,623	11.09%
2019	\$189,453	\$109,772	\$2,565,986	11.66%

REINSURANCE AGREEMENTS

Reinsurance Assumed

The Company did not assume risks through reinsurance during the examination period.

Reinsurance Ceded

The Company did not cede risks through reinsurance during the examination period.

ACCOUNTS AND RECORDS

During the course of the examination, certain balances were tested, and amounts were traced from the Company's trial balance to the annual statement. Minor differences were noted in the Company's financial statements attributable to rounding. All the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. 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 Jacksonville, Florida.

MARKET CONDUCT ACTIVITIES

A limited market conduct review was made of the Company as of December 31, 2023, in conjunction with the financial examination. The following items were addressed:

Producer Licensing Standards

Tenn. Code Ann. §§ 56-6-101, *et seq.*, requires the Company to sell its products and services through producers who are properly licensed and appointed by the Company. In the examination of producer licensing, a random sample of producers was selected, and their state-issued licensure and appointment by the Company were verified. As a result of examination, no issues or concerns were identified.

Underwriting and Rating Standards

In the examination of the Company's underwriting procedures and policy administration, a sample of in-force policies were reviewed for compliance with Tenn. Code Ann.

§ 56-8-104(7), Tenn. Comp. R. & Regs. 0780-01-34, and established Company guidelines. No instances of unfair methods of competition, or unfair or deceptive acts were found in the examination of these policies.

Claims Handling Standards

In the examination of claims handling practices, the Company's efficiency of claim handling, accuracy of payments, 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 claims resisted by the Company. No exceptions were identified regarding prompt settlements, upon receipt of supporting evidence of the Company's liability.

SUBSEQUENT EVENTS

The following corporate, operational, and regulatory events occurred subsequent to the examination period:

In 2024, USLBuyer Holdco, LLC, was formed and filed a proposed plan of acquisition with the TDCI to acquire one hundred percent (100%) of the issued and outstanding shares of the Company. Per the plan to acquire document filed with the TDCI, the Company will continue to operate under its current name, conduct legal insurance business, and will continue to consent to compliance with certain standards applicable to property and casualty insurers, including Tenn. Code Ann. Title 56, Chapter 11, Part 1.

The TDCI review of the acquisition confirmed and supported that:

- The Company will continue to satisfy all requirements for the issuance of a license to engage in the activities for which it is presently licensed;
- The effect of the acquisition will not substantially lessen competition in insurance or tend to create a monopoly in the State of Tennessee;
- The financial condition of the Company will be stable and will not prejudice the interests of policyholders;
- The plans or proposals of USLBuyer Holdco, LLC post-acquisition are not unfair and unreasonable to policyholders of the Company or against public interest;
- The controlling persons of the operations post-acquisition maintain competence, experience, and integrity such that it is not against the interest of policyholders or against public interest; and,
- The merger is not likely to be hazardous or prejudicial to the insurance buying public.

In an order dated April 16, 2025, TID No.: 25-012, and pursuant to Tenn. Code Ann. § 56-11-103(d)(1) the Commissioner ordered that the plan of acquisition filed by

USLBuyer Holdco, LLC to acquire the Company be approved. The order noted that the standards delineated in Tenn. Code Ann. §§ 56-11-103(d)(1)(A) – (F) regarding acquisition have been established by the filings made by USLBuyer Holdco, LLC.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, surplus and other funds, and a statement of income, as of December 31, 2023, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2023 Annual Statement. (Note: Immaterial differences in totals are due to rounding.)

ASSETS

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$508,250	\$0	\$508,250
Common Stocks	372,589	0	372,589
Cash, cash equivalents, and short-term investments	4,270,619	0	4,270,619
Investment income due or accrued	7,134	0	7,134
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	66,691	0	66,691
Current federal and foreign income tax recoverable and interest thereon	12,029	0	12,029
Receivables from parent, subsidiaries and affiliates	<u>2,866</u>	<u>0</u>	<u>2,866</u>
Total Admitted Assets	<u>\$5,240,178</u>	<u>\$0</u>	<u>\$5,240,178</u>

LIABILITIES, CAPITAL, AND SURPLUS

Losses	\$28,251
Commissions payable, contingent commissions and other similar charges	30,489
Other expenses	37,400
Taxes, licenses and fees	10,059
Unearned premiums	4,156
Payable to parent, subsidiaries and affiliates	<u>35,749</u>
 Total Liabilities	 146,104
 Common capital stock	 600,000
Gross paid in and contributed surplus	671,965
Unassigned funds	<u>3,822,110</u>
 Total Capital and Surplus	 <u>5,094,075</u>
 Totals	 <u>\$5,240,179</u>

STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned		\$540,086
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DEDUCTIONS

Losses incurred	\$27,879	
Loss adjustment expenses incurred	24,519	
Other underwriting expenses incurred	455,630	
Aggregate write-ins for underwriting deductions	<u>5</u>	
Total underwriting deductions		<u>508,033</u>
Net underwriting gain (loss)		32,053

INVESTMENT INCOME

Net investment income earned	158,864	
Net realized capital gains (losses)	<u>11,804</u>	
Net investment gain (loss)		170,668

OTHER INCOME

Net gain (loss) from agents' or premium balances charged off		<u>0</u>
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Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		202,721
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Dividends to policyholders		<u>0</u>
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Net income after dividends policyholders, after capital gains tax and before all other federal and foreign income taxes		202,721
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Federal and foreign income taxes incurred		<u>42,571</u>
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Net Income		<u>\$160,150</u>
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SURPLUS ACCOUNT

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital and surplus,					
December 31, previous year	<u>\$4,889,990</u>	<u>\$4,756,625</u>	<u>\$4,496,106</u>	<u>\$4,071,728</u>	<u>\$3,700,118</u>
Net income or (loss)	160,150	209,124	234,769	376,806	521,611
Change in net unrealized capital gains (losses)	58,159	(57,755)	25,756	47,569	0
Change in treasury stock	0	0	0	0	(150,000)
Aggregate write-ins for gains and losses in surplus	<u>(14,224)</u>	<u>(18,002)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	<u>204,085</u>	<u>133,367</u>	<u>260,525</u>	<u>424,375</u>	<u>371,611</u>
Capital and surplus,					
December 31, current year	<u>\$5,094,075</u>	<u>\$4,889,990</u>	<u>\$4,756,625</u>	<u>\$4,496,106</u>	<u>\$4,071,728</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$5,094,075

Total capital and surplus, as established by this examination, is the same as reported by the Company in its 2023 Annual Statement.

COMMENTS AND RECOMMENDATIONS

There are no comments and recommendations as a result of this 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 and the determination of liabilities of U.S. Legal Services, Inc.

In such manner, it was found that as of December 31, 2023, the Company had admitted assets of \$5,240,178 and liabilities, exclusive of capital and surplus, of \$146,104. Thus, there existed for the protection of the policyholders, the amount of \$5,094,075 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds. Tenn. Comp. R. & Regs. 0780-01-60-.05 requires an insurer of this Company's type to maintain a minimum capital of \$100,000 and a minimum surplus of one-third (1/3) of gross written premiums, or \$180,029 as of December 31, 2023. For this examination, as of December 31, 2023, the Company maintains capital and surplus sufficient to satisfy these requirements.

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, Philip Talerico, CPA, CFE, ARM, MCM; Derek Petersen, CFE, MCM; Scott Reeves, CPA, CFE, CAMS, CCA, MBA; and Katie Koch, FSA, MAAA of Lewis & Ellis, LLC, participated in the work of this examination. Further, Lori Shores, CISA, of Transient LLC, a sub-contractor of Lewis & Ellis, LLC, participated in the examination as the Information Technology Specialist.

Respectfully submitted,



Mel Heaps (Jun 30, 2025 14:37 CDT)

06/30/2025

Mel Heaps, CFE
Examiner-in-Charge
Lewis & Ellis, LLC.
Representing the State of Tennessee



06/30/2025

Don Karnes, CFE
Department Designee
State of Tennessee

CERTIFICATION

The undersigned certifies and says that he has duly executed the attached examination report of U.S. Legal Services, Inc. located in Jacksonville, FL, dated June 11, 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.



Mel Heaps (Jun 30, 2025 14:37 CDT)

06/30/2025

Mel Heaps, CFE
Examiner-in-Charge
Lewis & Ellis, LLC
Representing the State of Tennessee

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Don Karnes

06/30/2025

Don Karnes, CFE
Department Designee
State of Tennessee

EXHIBIT B



June 30, 2025

Bryant Cummings
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135

RE: **Report of Examination – U.S. Legal Services, Inc.**

Dear Mr. Cummings:

We hereby acknowledge receipt of the final Report of Examination for U.S. Legal Services, Inc., made as of December 31, 2023.

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

Sincerely,

Renee Bateh
Chief Financial Officer