STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

PLATEAU CASUALTY INSURANCE COMPANY

(NAIC # 10817)

CROSSVILLE, TENNESSEE

AS OF

DECEMBER 31, 2019

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Crossville, Tennessee
December 7, 2020

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, 2019, has been made of the condition and affairs of:

PLATEAU CASUALTY INSURANCE COPMANY
NAIC # 10817
2701 North Main Street
Crossville, Tennessee 38555

hereinafter generally referred to as "PCIC" 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 regulations and resolutions adopted by the National Association of Insurance Commissioners (NAIC). The examination commenced on May 19, 2020, and was conducted by duly authorized representatives of the TDCI. This examination was made simultaneously with the Company's subsidiary, Plateau Insurance Company (PIC). The Company's ultimate parent is Plateau Group, Inc. (PGI). The State of Arizona, which has a domestic insurance company in the group, declined to participate in a coordinated group examination.

SCOPE OF EXAMINATION

The last examination was made as of December 31, 2014. This examination covers the period January 1, 2015 through December 31, 2019, and includes any material transactions and/or events occurring subsequent to the examination date, which were noted during the course of examination.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee and in accordance with practices and procedures promulgated in 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, 2019. 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: Investments; Premiums/Underwriting; Reserving/Claims Handling; Reinsurance Ceded; Reinsurance Assumed; and Related Party.

The Company's 2019 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 controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls. Independent information technology specialist services, provided by Eide Bailly LLP, were utilized in the examination review of the Company's ITGC.

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

The Company does not maintain an Internal Audit (IA) Department. The Company also does not document internal controls or perform internal controls testing. As such, while a review of operational and financial processes and procedures was performed during the examination, a substantive test-work approach was generally taken to determine completeness and accuracy of annual statement financial reporting.

Workpapers of the Company's Certified Public Accountant (CPA) and independent auditor were reviewed for the years under examinations. The audit workpapers were reviewed for the 2019 audit and copies were incorporated into the examination, as deemed appropriate.

Independent actuaries with Eide Bailly LLP, were utilized for this examination in the review of the Company's loss reserves.

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 April 13, 2016, which covered the period from January 1, 2010, through December 31, 2014. The previous full-scope examination report, as of December 31, 2014, contained two (2) comments. The Company addressed the prior examination comments during the course of the previous examination.

COMPANY HISTORY

The Company was organized under the laws of the State of Tennessee on December 28, 1995. Effective May 29, 1997, the Company was issued a Certificate of Authority by the TDCI to transact the business of property and casualty insurance.

Provision was made in the original Charter for authorized capital of $1,250,000, consisting of one thousand, two hundred fifty (1,250) shares of common stock with a par value of $1,000 per share. On May 1, 1997, the Company issued one thousand (1,000) shares of its common stock to PGI, in consideration of the payment by PGI of $3,000 per share. Thus, the Company's capitalization consisted of $1,000,000 in common capital stock and $2,000,000 in gross paid-in and contributed surplus.

On March 1, 2001, PGI contributed the common voting stock of the Company to PIC. The stock, one thousand (1,000) shares of $1,000 par value per share, was contributed at the statutory book value of the Company at that time of $3,671,593. The result of the transaction was that the Company was now owned by PIC and not PGI. While ownership of the Company changed, ultimate control of the Company did not change as a result of this transaction, since PGI remained the ultimate controlling party for both companies.

During September 2005, the Company increased its number of shares authorized from one thousand, two hundred fifty (1,250) to two thousand (2,000) shares. Subsequent to the increase in the number of shares authorized, PIC, the sole shareholder, purchased an additional five hundred (500) shares of the Company stock at a cost of $500,000, thereby increasing the number of shares of the Company's stock issued and outstanding from one thousand (1,000) shares to one thousand, five hundred (1,500) shares.

In November 2005, PIC paid a dividend in the form of a transfer of the stock of the Company to PGI. The amount of the dividend, $5,509,220 was the statutory book value of the Company as of October 31, 2005. As a result of this dividend, both the Company and PIC were then owned directly by PGI.

In September 2006, ownership of PIC was transferred from the parent, PGI, to the Company by virtue of a non-cash dividend in the amount of $5,629,032. This dividend amount represented the statutory book value of PIC as of the effective date of the transfer. After this restructure, the ownership structure was that PGI owned one hundred percent (100%) of PCIC, which in turn owns one hundred percent (100%) of PIC.

During 2007, a $500,000 stock dividend was paid to PGI, thus increasing the capital shares outstanding to two thousand (2,000).

On May 2, 2011, the Company amended its Charter to increase the number of authorized shares from two thousand (2,000) to ten thousand (10,000) and increase the par value per share from $1,000 to $1,250. This resulted in capital stock increasing from $2,000,000 to $2,500,000.

During the first quarter of 2012, the Company paid an extraordinary dividend in the amount of $1,700,000 to PGI. PGI then purchased one thousand, three hundred sixty (1,360) shares of Company stock at $1,250, bringing the total common stock to $4,200,000. This transaction did not change the total amount of shareholders equity; however, the net effect was to reduce retained earnings by $1,700,000 and increase common stock by $1,700,000.

During 2013, PGI and its affiliates purchased the entire Debt Protection Program (DPP) from Individual Assurance Company (IAC) of Prairie Village, Kansas. The purchase included all software and hardware necessary to administer the program, the customer list, and insurance and reinsurance arrangements providing income to IAC. A Contractual Liability Insurance Policy (CLIP) was in place provided by Virginia Surety Company (VSC), which covered both life and non-life events in loan addendums issued by contracted financial institutions. VSC then reinsured to IAC all of the life-associated events. For the non-life events, a portion of the risk was reinsured to Horizon Services Reinsurance Ltd, (HSR) a Turks and Caicos Company which was 100% owned by

Horizon Services Company (HSC), a Kansas corporation, which was in turn 100% owned by IAC. To complete the transaction to purchase the entire DPP from IAC, PGI also purchased HSC and its wholly-owned subsidiary, HSR. The only asset of HSC was HSR.

Subsequent to the purchase of the DPP from IAC, PCIC issued a CLIP to all but a few financial institutions, replacing VSC or substituting American National Property and Casualty Insurance Company. The remaining financial institutions received termination notices from VSC. HSC was dissolved during 2016. HRS still has in place a reinsurance treaty with Transamerica and assumes a very minimum amount of premium each month.

In 2018, PGI formed Plateau Warranty Company (PWC), a motor vehicle service agreement company, organized in order to comply with requirements of Chapter 634, Part 1 ("Chapter 634") of the Florida Statutes. PWC is incorporated in the State of Tennessee and was granted a license to do business in the State of Florida. PWC operates as a provider of motor vehicle service agreements to automobile dealers doing business in the State of Florida. It was initially wholly-owned by the Company and was capitalized with $200,000 in common voting stock and an additional $350,000 of paid-in capital. On December 1, 2019, the ownership of PWC was transferred from the Company to PGI in exchange for $537,619, which equaled PWC's book value at the time of transfer.

As of December 31, 2019, the Company had ten thousand (10,000) shares of authorized stock, of which three thousand, three hundred sixty (3,360) shares were outstanding, at a par value of $1,250 per share. All outstanding shares are wholly-owned by PGI.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The Company's Bylaws state that the property, affairs, and business of the corporation shall be managed by a Board of Directors ("Board") who are elected at the annual meeting of stockholders. The Bylaws state that the number of directors shall consist of no fewer than three (3) or more than ten (10).

The following is a listing of persons serving as members of the Board at December 31, 2019:

Name	Principal Occupation
William Dickson Williams	President and Chief Executive Officer, PGI
David Louis Hardegree	Executive Vice President and Chief Financial Officer
Euretha J. Roberts	Senior Vice President and Secretary, PGI
David Michael Graham	Senior Vice President, PGI
William Michael Ramsey	Vice President and Treasurer, PGI

Officers

The Company's Bylaws provide that the officers of the corporation shall be elected annually by the Board and shall consist of a President, a Secretary, and such other officers as may be from time to time appointed by the Board. The following is a list of key officers and their respective titles as of December 31, 2019:

Name	Title
William Dickson Williams	President
David Louis Hardegree	Chief Financial Officer
Euretha J. Roberts	Secretary
David Michael Graham	Senior Vice President
William Michael Ramsey	Treasurer

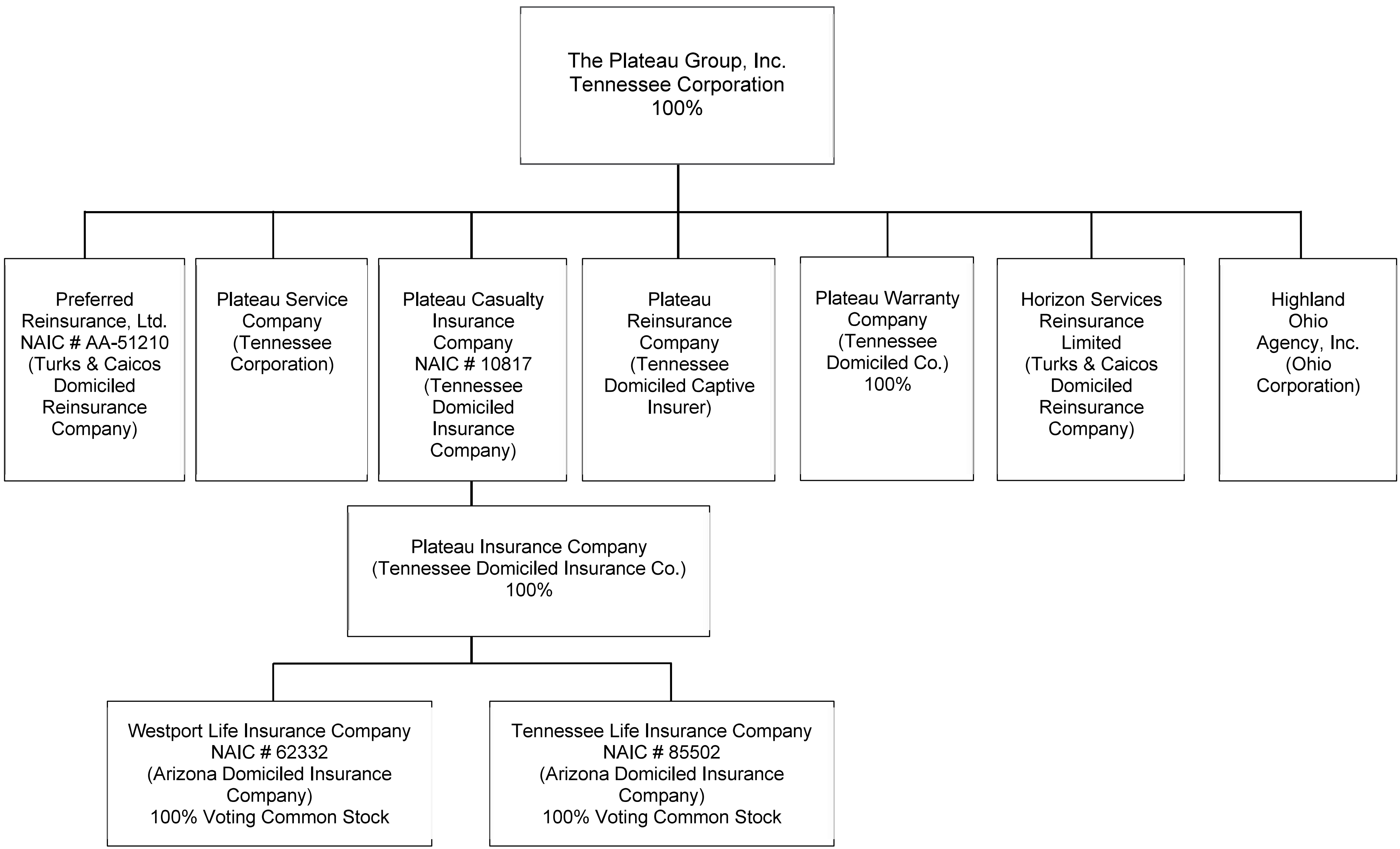
The administrative and executive functions of the Company are performed by staff employed through its ultimate parent, PGI, and provided to the Company under the recitals of an Administrative Agreement between the Company and PGI as described in this report under the heading "Agreements with Parent and Affiliates." Certain services are purchased from outside contractors, if needed and not available from in-house personnel. Such services include actuarial analysis and independent audit.

CONTROL

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(7), and as such, is subject to the Insurance Holding Company System Act of 1986, set forth in Tenn. Code Ann. §§ 56-11-101, *et seq*. PGI files a holding company registration statement annually, as required by Tenn. Code Ann. § 56-11-105.

ORGANIZATIONAL CHART

The following organizational chart shows all of the insurance companies and their respective domiciliary states within the PGI insurance holding company system:


The Plateau Group, Inc.
Tennessee Corporation
100%
Preferred Reinsurance, Ltd.
NAIC # AA-51210
(Turks & Caicos Domiciled Reinsurance Company)
Plateau Service Company
(Tennessee Corporation)
Plateau Casualty Insurance Company
NAIC # 10817
(Tennessee Domiciled Insurance Company)
Plateau Reinsurance Company
(Tennessee Domiciled Captive Insurer)
Plateau Warranty Company
(Tennessee Domiciled Co.)
100%
Horizon Services Reinsurance Limited
(Turks & Caicos Domiciled Reinsurance Company)
Highland Ohio Agency, Inc.
(Ohio Corporation)
Plateau Insurance Company
(Tennessee Domiciled Insurance Co.)
100%
Westport Life Insurance Company
NAIC # 62332
(Arizona Domiciled Insurance Company)
100% Voting Common Stock
Tennessee Life Insurance Company
NAIC # 85502
(Arizona Domiciled Insurance Company)
100% Voting Common Stock

DIVIDENDS

During the period of examination, the Company declared and paid dividends to its shareholder. The Company gave proper notice to the TDCI, as required by Tenn. Code Ann. §§ 56-11-105(e) and 56-11-106(b).

The following table lists each dividend amount and the date the Company notified the TDCI of the dividend.

Year	Ordinary (O) or Extraordinary (E)	Notification Date	Paid Date	Dividend Amount
2019	E	07/25/2019	08/08/2019	$1,500,000
2018	O	10/01/2018	10/10/2018	1,200,000
2017	O	09/15/2017	10/05/2017	1,500,000
2016	O	09/01/2016	10/03/2016	1,500,000
2015	None			0
	Total paid during period of Exam			$5,700,000

CORPORATE RECORDS

The minutes of meetings of the Company's shareholder, Board, and committees were reviewed for the period under examination. They were generally complete as to necessary detail and appear to adequately reflect the acts of the respective bodies. As noted in the "Comments and Recommendations" section, the Board minutes did not include consistent documentation of review by the Board of the actuaries' annual report and findings, as required by the NAIC *Annual Statement Instructions* ("Instructions").

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

The Charter of the Company in effect as of December 31, 2019, is the Company's Amended Charter, which was filed with the Secretary of State on May 2, 2011. The Charter states the Corporation is for-profit, organized to engage in the business of property and casualty insurance under the laws of the State of Tennessee. The Company made no amendments to its Charter during the period of examination.

Bylaws

The Bylaws of the Company in effect as of December 31, 2019, are the Company's Original Bylaws, which were adopted by the Board on May 1, 1997. No amendments or restatements were made to the Company's Bylaws during the period of examination. The 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 shareholder.

AGREEMENTS WITH PARENT AND AFFILIATES

The Company had three (3) agreements with affiliated companies in effect, as of December 31, 2019. The following are summaries of the agreements in effect:

Management Service Agreement

The Company entered into a Management Service Agreement with PGI effective July 1, 1997. Pursuant to the agreement, PGI agrees to provide the Company with all management, professional, technical, clerical, and other services necessary to operate. In consideration for these services, the Company pays to PGI an amount equal to five percent (5%) of net written premiums.

Effective January 1, 2014, the Company revised its Management Service Agreement with PGI. As in the earlier agreement, PGI agrees to provide all of the management, professional, technical, clerical, and other services necessary in order to make it feasible for the Company to carry on an insurance business. PGI agrees to accept a service fee of five percent (5%) of direct premiums written plus reinsurance premiums assumed from non-affiliated insurance companies, provided however, PGI may discount such percentage for any year to a percentage not less than two and one-half percent (2.5%).

Effective June 16, 2017, the Management Service Agreement was amended to bring it into compliance with Statement of Statutory Accounting Principles (SSAP) No. 25 – Affiliates and Other Related Parties by adding a specific due date for amounts owed under the agreement. The Company paid $3,055,736 under this agreement in 2019, which was approximately five percent (5%) of direct plus assumed premiums.

Federal Income Tax Allocation and Sharing Agreement

The Company entered into a tax allocation agreement effective January 1, 2017 by and between PGI and its subsidiary companies: the Company, PIC, Plateau Service Company, Plateau Reinsurance Company, and Horizon Services Reinsurance Limited. The agreement states the Company's tax liability shall not exceed the amount that would be paid if it filed a separate federal income tax return. It is intended that the agreement shall be revenue neutral to PGI. In summary, PGI and its subsidiary companies entered into the agreement to establish a method for allocating the consolidated federal and state income tax liability. A federal return will be filed by PGI. Each subsidiary will execute and file such return, elections, and other documents as reasonably determined by PGI for the proper filing. PGI agrees to make all required payments, including estimated payments, to the Internal Revenue Service, of the consolidated federal income tax liability of all parties to the agreement. The agreement was not disapproved by the Department on May 5, 2017.

TERRITORY AND PLAN OF OPERATION

TERRITORY

The Company is a stock for-profit property and casualty insurance company domiciled in Tennessee and is licensed to transact business in forty-six (46) states. Certificates of Authority granted by the licensed states were reviewed and found to be in force at December 31, 2019.

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

PLAN OF OPERATION

The Company's primary products are vehicle service contracts, guaranteed auto protection coverage, and various consumer credit insurance products. PCIC markets its products through consumer finance companies, automobile dealerships, and banks, collectively (the "Producers").

PCIC's credit property coverage primarily insures the underlying financed asset in the event the property is damaged or lost and the debtor ceases making payments on it.

The guaranteed auto protection (GAP) product insures the difference between the loan payoff and the value of the vehicle in the case of a total loss.

The Company issued a CLIP to its affiliate, Plateau Service Company (PSC) to cover PSC's obligations from vehicle service contracts (VSC) marketed to consumers. The VSC is not an insurance policy but is a contractual arrangement between PSC and the consumer. PSC provides the administration of the VSC and is the obligator on the VSC. The CLIP issued to PSC shifts the warranty liability to the Company.

With the exception of the VSC product, most products are issued as group policies to the financial institution and auto dealers, and the consumer participates through issuance of a certificate of insurance.

Many of the producers have organized reinsurance companies to which PCIC cedes risk, thereby, allowing the producers to participate in the profit or loss of the business. These reinsurance companies are known as producer-owned reinsurance companies (PORCs). PGI and the Company specializes in setting up and managing PORCs as a primary way to add new credit insurance relationships. The services offered include licensing, financial and tax return preparation/filings, and regulatory support. PGI and the Company act as Treasurer for, and control the assets of, the PORCs. PORC assets are held in U.S. domestic banks.

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. *(Amounts may not total due to immaterial rounding differences):*

Year	Admitted Assets	Liabilities	Capital and Surplus	Net Underwriting Gain
2019	$51,661,465	$24,495,773	$27,165,692	$1,597,079
2018	$47,746,180	$23,477,066	$24,269,113	$1,542,372
2017	$45,822,439	$23,446,461	$22,375,978	$2,265,103
2016	$44,477,130	$24,354,032	$20,123,098	$1,257,528
2015	$40,232,129	$19,889,061	$20,343,068	$849,327

LOSS EXPERIENCE

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

Year	Losses Incurred	LAE Incurred	Premiums Earned	Loss Ratio
2019	$9,809,960	$1,367,668	$20,167,037	55.4%
2018	$10,659,825	$1,314,208	$20,647,894	58.0%
2017	$12,074,438	$1,226,331	$22,018,507	60.4%
2016	$9,000,325	$1,427,427	$20,582,652	50.7%
2015	$6,118,371	$1,316,489	$15,978,070	46.5%

REINSURANCE AGREEMENTS

The Company's significant reinsurance agreements were found to contain such language as recommended by the NAIC and as required for reinsurance credit pursuant to Tenn. Code Ann. § 56-2-207(a)(2). All agreements appear to effectuate proper transfer of risk in accordance with SSAP No. 62R – Property and Casualty Reinsurance, and NAIC guidelines.

The following summary describes the significant reinsurance agreements in effect, as of December 31, 2019:

Assumed Reinsurance

American National Insurance Company (ANIC)

ANIC cedes all debt cancellation contractual liability insurance policies issued on or after January 1, 2014, produced in Alaska, Oregon and Washington, to the Company on a one hundred percent (100%) quota share basis. These are states where PCIC does not have approval for CLIP policies. The Company receives one hundred percent (100%) of the net premiums written on all said policies on or after the inception date. The Company pays a nine percent (9%) ceding commission and reimburses the ceding company for certain fees, commissions, and taxes.

Ceded Reinsurance

Plateau Insurance Company (PIC)

The Company cedes one hundred percent (100%) of each death, disability, and accidental death and dismemberment risks covered under a debt protection (cancellation) program to PIC, effective January 1, 2014. All other risks covered by the CLIP, such as, involuntary unemployment, family leave, and hospitalization remain with PCIC. Debt protection coverage involves a risk where a consumer's debt due to a financial institution will be cancelled in the event of certain specified occurrences. To this end, the Company issues a CLIP to the financial institution.

This treaty was effected to ultimately minimize the amount of retained risk on large certificates. Currently PIC desires to limit its retained risk on any one life certificate including all cause death risk and accidental death and dismemberment risk. PIC has a treaty in place with Munich American Reinsurance Company (MARC), whereby PIC cedes risk in excess of certain pre-determined amounts to MARC. MARC does not accept risk from non-life companies; therefore, PCIC could not enter into a reinsurance treaty directly with MARC. However, once the risk is ceded to PIC, it is able to retro-cede excess risk to MARC, thereby allowing the companies to limit their retained risk on large certificates.

Plateau Reinsurance Company (PRC)

PCIC has in place a reinsurance agreement with Plateau Reinsurance Company, a Tennessee domiciled captive insurance company. This is a short-term reinsurance treaty, whereby, PCIC ceded certain first-dollar VSC reserves to PRC on a written basis. PRC ultimately cedes this business on an earned basis to Captivate1 Reinsurance, LTD, a PORC. PCIC no longer cedes new premium to PRC under this treaty.

Producer Owned Reinsurance Companies (PORCs)

As of December 31, 2019, PCIC had in place one hundred ten (110) reinsurance agreements with various PORCs. The majority of the business written by PCIC is ceded to a PORC. There are two (2) basic types of business, credit property (CP) (vendor single interest and involuntary unemployment insurance), and vehicle service contract (VSC) business. The CP business is written by finance companies, and to a lesser extent, banks and credit unions. In most cases, a PORC has the same ownership as the producer, and the producer directs that all their business is ceded to their PORC through a reinsurance agreement. In these cases, the PORC assumes one hundred percent (100%) of the risk available to be reinsured. In the case of VSC's, the structure will be basically the same, except the producers will be automobile dealerships or administrator companies.

ACCOUNTS AND RECORDS

During 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 Instructions require the Appointed Actuary to report to the Board or the Audit Committee each year on the items within the scope of the Actuarial Opinion. The Instructions state that the minutes of the Board shall indicate that the Appointed Actuary has presented such information to the Board or the Audit Committee. Per review of the Board minutes for the Company and its parent, PGI, there was no consistent documentation of review by the Board of the actuaries' annual report and findings. See "Comments and Recommendations" section later in the report.

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

MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company as of December 31, 2019, in conjunction with this examination. The following items were addressed:

Operations and Management Standards

Company antifraud initiatives were examined to determine if they are reasonably designed to prevent, detect, or mitigate fraudulent insurance acts. Company procedures and policies relating to privacy were reviewed to determine compliance with Tenn. Code Ann. § 56-8-104(19). No issues were noted.

The Company utilizes Managing General Agents (MGAs) for the production and distribution of business. On-site reviews of its MGAs were not performed at least semi-annually, as required by Tenn. Code Ann § 56-6-505 (c). See "Comments and Recommendations" later in the report.

Complaint Handling Standards

The Company maintains a complaint register, as required by various state Unfair Trade Practices Acts, and the register and the accompanying files are maintained for a minimum of five (5) years in accordance with statutory requirements. A review of the provided complaint log found it did not contain all of the information required by Tenn. Code Ann. § 56-8-104(11). During the course of the examination, the Company corrected its complaint log to be in compliance with Tenn. Code Ann. § 56-8-104(11). See "Comments and Recommendations" section later in the report. No other issues or concerns were identified.

Marketing and Sales Standards

A sample of the Company's advertising materials were selected for examination including print, internet materials, and PowerPoint presentations issued by the Company to target consumers, agents, brokers, and financial institutions. Advertising items were examined in accordance with Tenn. Code Ann. § 56-8-104(1) and the NAIC *Market Regulation Handbook* (Chapter 20 (C) – Marketing and Sales) and were found to be in compliance.

Producer Licensing Standards

A review was performed of the Company's licensed/appointed agents. All of the agents utilized by the Company during this examination period were found to be licensed and appointed with the exception of one (1). This one (1) exception was due to an error which occurred when the Company first tried to appoint the agent and did not notice the system generated an error message, which resulted in the agent not being appointed. The Company corrected this error prior to completion of the examination fieldwork and properly appointed the agent so that it was in compliance with Tenn. Code Ann. § 56-6-103, 104 and 115. See "Comments and Recommendations" section later in the report.

Policyholder Services Standards

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

Underwriting and Rating Standards

In the examination of the Company's underwriting procedures and policy administration, policy files for open and closed policies were reviewed in accordance with Tenn. Code Ann. § 56-8-104, Tenn. Comp. R. & Regs. 0780-01-34, and established Company guidelines. In the examination of these contracts, there were no instances of unfair methods of competition or unfair or deceptive acts found. Underwriting procedures and policy administration conducted by the Company appear to be in compliance with established Company guidelines.

A sample of the policy forms that were used by the Company during the period of examination was reviewed. All forms were noted, without exception, as having been filed with the TDCI prior to their use, in accordance with Tenn. Code Ann. § 56-7-2311(a). The filings are consistent in form and included appropriate documentation.

Claims Handling Standards

In the examination of claims handling practices, the Company's efficiency of claim 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 claims resisted by the Company. The Company's claims were properly documented and handled in accordance with the Company's policy provisions and applicable statutes and rules. No issues or concerns were identified.

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed. No events were noted that required additional disclosure in this examination report. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2019, that could have a material effect on the Company's financial condition. Our review confirmed the Company's disclosures in its 2019 Annual Statement and in its Letter of Representation.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities and a statement of revenue and expenses, as of December 31, 2019, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2019 Annual Statement. *(Immaterial differences in totals are due to rounding).*

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$18,476,207		$18,476,207
Preferred stocks	794,091		794,091
Common stocks	17,718,480		17,718,480
Properties occupied by the company	123,019		123,019
Properties held for the production of income	137,682		137,682
Cash and short-term investment	8,912,176		8,912,176
Investment income due and accrued	103,776		103,776
Uncollected premiums and agents' balances	3,191,473		3,191,473
Amounts recoverable from reinsurers	1,040,470		1,040,470
Other amounts receivable under reinsurance contracts	303,921		303,921
Current federal income tax recoverable	98,627		98,627
Net deferred tax asset	742,781	$103,265	639,516
Electronic data processing equipment and software	29,967		29,967
Furniture and equipment	16,996	16,996	0
Aggregate write-ins for other than invested assets:			
Pre-paid expenses	109,999	109,999	0
Accounts receivable	92,061	0	92,061
Totals	$51,891,725	$230,260	$51,661,465

LIABILITIES, SURPLUS, AND OTHER FUNDS

Losses		$1,737,118
Loss adjustment expenses		306,550
Commissions payable, contingent commissions and other similar charges		1,125,048
Other expenses		92,121
Taxes, licenses and fees		625,172
Federal income taxes payable		
Unearned premiums		16,537,237
Ceded reinsurance premiums payable		4,030,917
Provision for reinsurance		41,610
Total liabilities		$24,495,773
Common capital stock	$4,200,000	
Gross paid in and contributed surplus	7,129,032	
Unassigned funds (surplus)	15,836,660	
Surplus as regards policyholders		27,165,692
Totals		$51,661,465

STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned		$20,167,037
Deductions: Losses incurred	$9,809,960	
Loss expenses incurred	1,367,668	
Other underwriting expenses incurred	7,392,331	
Total underwriting deductions		18,569,959
Net Underwriting Gain		1,597,079

INVESTMENT INCOME

Net investment income earned	434,058	
Net realized capital gains (losses)	(8,552)	
Net Investment Gain		425,506

OTHER INCOME

Aggregate write-ins for miscellaneous income	0	
Total Other Income		0

Net income before federal income taxes	2,022,585
Federal income taxes incurred	441,451
Net Income	$1,581,134

CAPITAL AND SURPLUS ACCOUNT

	2019	2018	2017	2016	2015
Capital and surplus					
December 31, previous year	$24,269,114	$22,375,978	$20,123,098	$20,343,068	$20,459,733
Net income or (loss)	1,581,134	1,564,577	1,957,268	882,767	868,366
Change in net unrealized capital gains or (losses)	2,248,347	1,590,078	2,198,912	666,223	(1,421,153)
Change in net deferred income tax	(48,245)	82,686	(512,357)	66,448	46,339
Change in non-admitted assets	309,884	(244,226)	189,073	(82,358)	431,792
Change in provision for reinsurance	305,459	100,020	(80,016)	(253,050)	(42,009)
Dividends to stockholders	(1,500,000)	(1,200,000)	(1,500,000)	(1,500,000)	0
Net change in capital and surplus for the year	2,896,579	1,893,135	2,252,880	(219,970)	(116,665)
Capital and surplus					
December 31, current year	$27,165,692	$24,269,114	$22,375,978	$20,123,098	$20,343,068

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus	$27,165,692

Total capital and surplus, as established by this examination, is the same as what was reported by the Company in its 2019 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2019.

COMMENTS AND RECOMMENDATIONS

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

Comments

1. A review of the complaint log found it did not contain all of the information required by Tenn. Code Ann. § 56-8-104(11). During the course of the examination, the Company corrected its complaint log to be in compliance with the Tennessee Code.

2. All of the agents utilized by the Company during this examination period were found to be licensed and appointed with the exception of one (1) due to an error. The Company corrected this error prior to completion of the examination fieldwork and properly appointed the agent so that it was in compliance with Tenn. Code Ann. §§ 56-6-103, 104 and 115.

Recommendations

1. The Instructions require the Appointed Actuary to report to the Board or the Audit Committee each year on the items within the scope of the Actuarial Opinion. The Instructions state that the minutes of the Board shall indicate that the Appointed Actuary has presented such information to the Board or the Audit Committee. Per review of the Board minutes for the Company and its parent, PGI, there was no consistent documentation of review by the Board of the actuaries' annual report and findings.

   It is recommended the Board receive and review the actuaries' annual report and findings and document the review in the meeting minutes in accordance with the Instructions.

2. The Company has not conducted on-site reviews of its Managing General Agents at least semi-annually, as required by Tenn. Code Ann. § 56-6-505 (c).

It is recommended the Company conduct on-site reviews as required by the Tennessee Code, and as they are able to do so safely during the COVID-19 pandemic.

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 Plateau Casualty Insurance Company of Crossville, Tennessee.

In such manner, it was found that as of December 31, 2019, the Company had admitted assets of $51,661,465 and liabilities, exclusive of capital and surplus of $24,495,773. Thus, there existed for the additional protection of the policyholders, the amount of $27,165,692 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds. 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. For this examination, as of December 31, 2019, the Company maintains capital and surplus sufficient to satisfy those 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, Rhonda Bowling-Black, CFE, Insurance Examiner for the State of Tennessee, and Ryan Havick, CFE, James Burch, CFE, Michael Nadeau, CFE, AES, and Jamesia Burford, CFE, Insurance Examiners with the firm Eide Bailly LLP, Fargo, North Dakota, representing the State of Tennessee, participated in the work of this examination. An actuarial review was performed by Alan Kalisky, FCAS and McKay Heasley of Eide Bailly LLP.

Respectfully submitted,

James Menck, CFE
Examiner-in-Charge
Eide Bailly LLP
Representing the State of Tennessee

A. Jay Uselton, CFE
Department Designee
State of Tennessee

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Plateau Casualty Insurance Company located in Crossville, Tennessee, dated December 7, 2020, and made as of December 31, 2019, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.

James Menck, CFE
Examiner-in-Charge
Eide Bailly LLP
Representing the State of Tennessee

State Texas

County Tarrant

Subscribed to and sworn before me

this 23 day of June, 2021

(NOTARY)

My Commission Expires: 03/22/2025

MIGUEL A. MENDEZ JR.
Notary Public
STATE OF TEXAS
ID# 13298855-1
My Comm. Exp. March 22, 2025

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Plateau Casualty Insurance Company located in Crossville, Tennessee, dated December 7, 2020, and made as of December 31, 2019, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.

A. Jay Uselton, CFE
Department Designee
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 24th day of June, 2021

(NOTARY)

My Commission Expires: 1-3-2022

NNEKA LABON
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
MY COMMISSION EXPIRES 1-3-2022

EXHIBIT B

The Plateau Group

Phone: 931-484-8411
Fax: 931-484-0692
Toll-Free: 1-800-752-8328
P.O. Box 7001
Crossville, TN 38557-7001

June 25, 2021

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 – Plateau Casualty Insurance Company**

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Plateau Casualty Insurance Company, made as of December 31, 2019.

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

Sincerely,

Dick Williams
President and CEO