

EXHIBIT A



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
ERLANGER HEALTH PLAN TRUST
(NAIC # 15378)

CHATTANOOGA, TENNESSEE

AS OF
DECEMBER 31, 2016

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Chattanooga, Tennessee
December 01, 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 the Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-32-115(b), regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope financial examination as of December 31, 2016, has been made of the conditions and affairs of:

ERLANGER HEALTH PLAN TRUST

NAIC # 15378
975 East Third Street
Chattanooga, TN 37403

hereinafter generally referred to as the “Company” or “Erlanger” 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 November 13, 2017, 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 not coordinated with any other states.

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2011. This examination covers the period January 1, 2012, through December 31, 2016, 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 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, 2016. The examination was substantive in nature, as all assets and liabilities of the Company were verified as of the examination date. Information about the Company was obtained, including its corporate governance. 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.

The Company’s 2016 annual statement was reconciled to the corresponding general ledger account balances.

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

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

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

COMPANY HISTORY

On August 19, 1993, the Chattanooga-Hamilton County Hospital Authority (“Hospital Authority”) d/b/a Erlanger Health System adopted the Declaration of Trust creating Erlanger, a health maintenance organization (HMO), created in order to qualify for participation in the state-created TennCare program. The Hospital Authority is a governmental entity and political subdivision of the State of Tennessee, but has been declared by the General Assembly of Tennessee to be a public nonprofit corporation. The Hospital Authority has also been determined by the Internal Revenue Service (IRS) to be exempt from federal income tax under Section 501(a) of the IRS Code (“Code”) as being an organization described in Section 501(c)(3) of the Code, in addition to its status as a political subdivision of the State of Tennessee.

Following the expiration of the initial TennCare enrollment period, the final funding for TennCare Managed Care Organizations was insufficient for the Company to justify its operation and the Hospital Authority declined to enter into a contract to become a TennCare Managed Care Organization. The Hospital Authority also declined to fund the Company to qualify for issuance of a certificate of authority at that time.

On June 9, 1995, the Hospital Authority adopted the Amended and Restated Erlanger Declaration of Trust, making the Company a division of the Hospital Authority in order to apply for a certificate of authority and licensure as a HMO. This allowed the Company to contract directly with selected employers, to control health care costs, improve the health status of enrollees, and direct incremental revenues to the Hospital Authority. The Hospital Authority adopted a resolution to fund the Company and complete the requirements to begin operations as a HMO on March 29, 1996.

The Company commenced business on June 1, 1996. It had contributed capital of \$2,006,509 received from the Hospital Authority. The Company contracted with Assured Care, Inc., a physician independent practice association, Erlanger Medical Center, other hospitals, and other facilities to provide primary and specialized services to enrollees on a fee-for-service basis subject to a withholding. The Company contracted with the City of Chattanooga and Board of Education of Hamilton County to provide them with health care for their enrollees.

The Company's operations were not profitable and the Hospital Authority Board of Trustees decided to withdraw from doing new business. All enforceable contracts were either canceled or not renewed as of December 31, 1998. At January 1, 1999, there were no active members under contract with the Company. The remaining claims were allowed to runoff. The Company has maintained the trust deposits and assets associated with them as income producing investments in compliance with Tenn. Code Ann § 56-32-112, which has allowed the Company to maintain its certificate of authority.

At December 31, 2016, the Company reports no authorized or issued common stock.

At December 31, 2016, the Company was licensed only in the state of Tennessee. The Company has written no business during the period of examination.

MANAGEMENT AND CONTROL

MANAGEMENT

Board of Trustees

The Company's Bylaws state that the business and affairs of the corporation shall be managed by a Board of Trustees ("Board") elected at an annual meeting held for that purpose and for such other business. The Board shall consist of not less than five (5) nor more than eleven (11) trustees. Trustees are chosen from among the trustees of the Hospital Authority and are elected at the annual meeting of the Hospital Authority's Board of Trustees. A majority of the Company's trustees constitutes a quorum. Trustees serve until the next annual meeting of the Board, and thereafter, until a successor has been elected.

The following persons were duly elected by the Board and were serving as members of the Board as of December 31, 2016:

Board of Trustees

Jack Studer	Michael J. Griffin
Richard G. Youngblood	Jennifer E. Stanley
Philander K. Smartt	Tom Edd Wilson
Henry Hoss	Gerald Webb, II
Jay Sizemore	Blaise Baxter
Linda Moss Mines	

Officers

The Bylaws provide that the officers of the Company shall be a Chairman, Vice Chairman, and a Secretary. The following officers were duly elected by the Board and were serving as officers of the Company as of December 31, 2016:

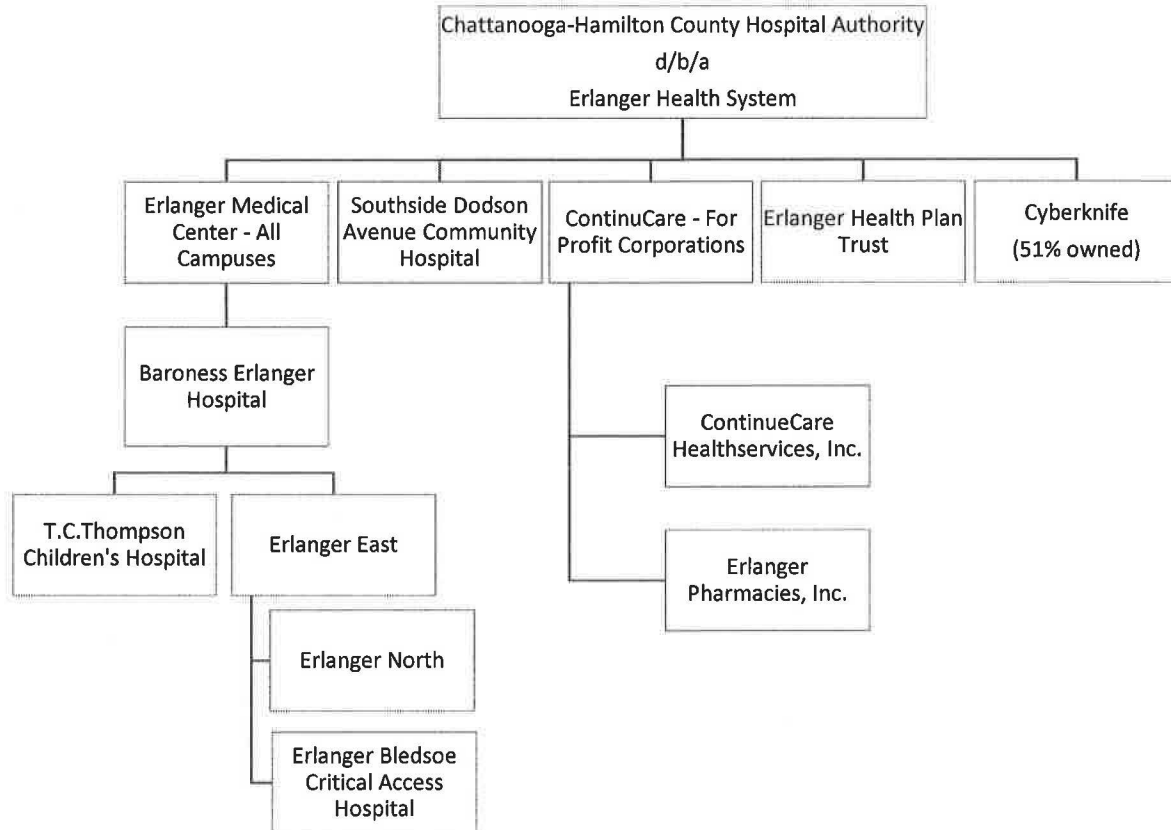
<u>Name</u>	<u>Title</u>
Jack Studer	Chairman
Richard G. Youngblood	Vice Chairman
Philander K. Smartt	Secretary

Committees

The Board may designate, establish, and charter any committees as it deems necessary. Due to inactivity, the Company did not have any committees during the period of examination.

CONTROL

The Company is a member of a HMO holding company system as defined by Tenn. Code Ann. § 56-11-101(6), 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.* The Company is owned and operated by the Hospital Authority as an integral part thereof.



CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

The Company is required to comply with Tenn. Code Ann. § 56-3-103 which prohibits officers and directors of insurance companies from having a pecuniary interest in the investment or disposition of funds of a domestic insurance company. The Company has no employees. The administrative and executive functions of the Company are performed by the staff of the Hospital Authority which has a Corporate Compliance Program with a Code of Conduct and Ethics for its directors, officers, and responsible employees adopted effective November 18, 2004. The program complies with Tenn. Code Ann. § 56-3-103, which prohibits officers and directors from having pecuniary interest in investment or disposition of Company funds.

DIVIDENDS

During the period of examination, the Company declared and paid one ordinary dividend to its shareholder. The Company complied with the requirements of Tenn. Code Ann. § 56-11-105(e) by notifying the TDCI of declaration of said dividend.

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

<u>Year</u>	<u>Ordinary (O) or Extraordinary (E)</u>	<u>Notification Date</u>	<u>Paid Date</u>	<u>Dividend Amount</u>
2012	O	04/25/2012	05/15/2012	<u>\$56,000</u>
Total paid during period of Examination				<u>\$56,000</u>

CORPORATE RECORDS

Due to the Company's continued inactive status, there were no separate minutes provided for the Trust. The minutes of meetings of the Hospital Authority's Board were reviewed for the period under examination. During the period under examination, there were no separate discussions of the Company included in the Hospital Authority's minutes.

CHARTER

The original Declaration of Trust ("Declaration") of the Company was adopted on August 19, 1993. The Declaration in effect at December 31, 2016, is the Company's Amended and Restated Declaration that was adopted by the Board on March 29, 1996. This restatement of the Declaration established the amount of capital required for the Company to operate as a HMO, authorized the funding of the Company, and authorized

the commencement of operations of the Company. No changes were made to the Declaration during the period under examination.

BYLAWS

The Bylaws of the Company in effect at December 31, 2016, are the Company's Amended and Restated Bylaws that were adopted by the Board on June 9, 1995. The Bylaws are such as 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 and the Board. There were no amendments to the Bylaws during the period under examination.

AGREEMENTS WITH PARENT AND AFFILIATES

The Company did not have any written agreements in place with its parent or any affiliated companies during the period under examination.

FIDELITY BOND AND OTHER INSURANCE

Trustees and officers of the Hospital Authority are covered by a fidelity policy in the name of Chattanooga-Hamilton County Hospital Authority d/b/a as Erlanger Health System which includes the Company. The Company is also listed as a named insured on an employment practices liability policy. No other insurance coverages were maintained by the Company as of December 31, 2016.

The Company's fidelity coverage exceeds the minimum amount suggested in the Handbook and meets the requirements set forth in Tenn. Code Ann. § 56-32-106(b). The bonds and policy coverages were inspected and appear to be in-force as of the date of this examination. The above policies were issued by companies licensed to transact business in the State of Tennessee or by authorized surplus lines insurers.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company has no employees. The administrative and executive functions of the Company are performed by the staff of the Hospital Authority.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2016, and as of the date of this examination report, the Company was licensed to transact business as a HMO solely in the state of Tennessee. The Company's service area in Tennessee consists of Hamilton County.

During the period under examination, the Company did not have any gross or net written premium.

Plan of Operation

The Company currently does not plan to write any premium or provide any medical care coverage. The trust deposits and assets associated with them have been maintained as income producing investments in compliance with Tenn. Code Ann. § 56-32-112 in order for the Company to maintain its certificate of authority.

For the years during which the Company did provide coverage to members, its plan was to service local governmental entities and their agencies in the Hamilton County area. The Company provided primary and specialized services to enrollees on a fee-for-service basis through a physician independent practice association, Erlanger Medical Center, and other facilities and hospitals. The Contracts with the City of Chattanooga and the Board of Education of Hamilton County covering their employees were either canceled or not renewed during 1998.

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>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums</u>
2016	\$1,634,149	\$0	\$1,634,149	\$0
2015	\$1,618,496	\$0	\$1,618,496	\$0
2014	\$1,625,911	\$0	\$1,625,911	\$0
2013	\$1,625,452	\$0	\$1,625,452	\$0
2012	\$1,621,325	\$0	\$1,621,325	\$0

LOSS EXPERIENCE

ACCIDENT & HEALTH

No health insurance policies have been issued or offered by the Company since 1998. Therefore, there have been no losses reported for the period under examination.

REINSURANCE AGREEMENTS

The Company was not party to any reinsurance agreements at December 31, 2016, nor did any such agreements exist during the period under examination.

LITIGATION AND CONTINGENT LIABILITIES

During the period of examination, and as of December 31, 2016, the Company had no pending litigation or contingent liabilities which could have a material financial effect.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the jurisdiction or custodian named below, as of December 31, 2016.

The following are deposits for the benefit of all policyholders, claimants, and creditors of the Company:

<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 Commerce and Insurance	FNMA 0.875%, Due 8-28-17 CUSIP # 3135G0MZ3	\$750,518	\$750,000	\$750,000
	FHLB 1.000%, Due 12-19-17 CUSIP # 3130A6SW8	<u>750,480</u>	<u>750,000</u>	<u>750,000</u>
Total		<u>\$1,500,998</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>

Deposits with said jurisdiction or custodian were verified by direct correspondence with the custodian of such deposits.

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. 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. These test checks and reviews revealed no material discrepancies.

The Company does not file a Risk Based Capital Report. The Company has been exempted from filing all regulatory filings by the TDCI with the exception of the annual statement. Tenn. Code Ann. § 56-46-101, *et seq.* (Risk Based Capital for Insurers Act) does not include HMOs.

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

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed. No events were noted that required additional disclosure in this examination report. Our review confirmed the Company's disclosures in its 2016 Annual Statement and in its Letter of Representation. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2016, that could have a material effect on the Company's financial condition.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of revenue and expenses as of December 31, 2016, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2016 Annual Statement.

ASSETS

	<u>Admitted Assets</u>
Bonds	\$1,600,976
Cash and short-term investments	<u>33,173</u>
Totals	<u>\$1,634,149</u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

Total Liabilities	\$ 0
Unassigned Funds (surplus)	<u>1,634,149</u>
Total liabilities, capital and surplus	<u>\$1,634,149</u>

STATEMENT OF REVENUE AND EXPENSES

Net investment gains (losses)	<u>\$15,653</u>
Net income (loss)	<u>\$15,653</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital and Surplus					
December 31, previous year	<u>\$1,618,496</u>	<u>\$1,625,911</u>	<u>\$1,625,452</u>	<u>\$1,621,325</u>	<u>\$1,649,119</u>
Net income or (loss)	15,653	(7,415)	459	4,127	28,206
Dividends to shareholders	0	0	0	0	(56,000)
Net change in capital and surplus for the year	<u>15,653</u>	<u>(7,415)</u>	<u>459</u>	<u>4,127</u>	<u>(27,794)</u>
Capital and Surplus					
December 31, current year	<u>\$1,634,149</u>	<u>\$1,618,496</u>	<u>\$1,625,911</u>	<u>\$1,625,452</u>	<u>\$1,621,325</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$1,634,149

Total capital and surplus, as established by this examination, is the same as what was reported by the Company in its 2016 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2016.

COMMENTS AND RECOMMENDATIONS

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

Comments

There were no comments noted during the completion of this examination.

Recommendations

There were no recommendations noted during the completion of this examination.

CONCLUSION

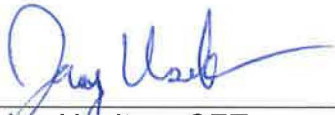
The customary insurance examination practices and procedures, as promulgated by the NAIC, have been followed in connection with the confirmation and valuation of assets and the determination of liabilities of Erlanger Health Plan Trust.

In such manner, it was found that, as of December 31, 2016, the Company had admitted assets of \$1,634,149 and no liabilities. Thus, there existed the amount of \$1,634,149 in the form of unassigned funds (surplus). Tenn. Code Ann. § 56-32-112(a)(2) requires an insurer of this Company's type to maintain a minimum net worth of \$1,500,000. For this examination, as of December 31, 2016, the Company maintains net worth in excess of the amount required pursuant to Tenn. Code Ann. § 56-32-112(a)(2).

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, Bryant Cummings, CFE, MCM, Assistant Chief Examiner and Daniel O. Clements, CPA, Insurance Examiner, from the State of Tennessee, participated in the work of this examination.

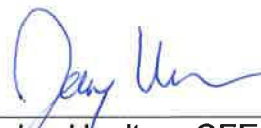
Respectfully submitted,



A. Jay Uselton, CFE
Examiner-in-Charge
State of Tennessee

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Erlanger Health Plan Trust located in Chattanooga, Tennessee, dated December 1, 2017, and made as of December 31, 2016, 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
Examiner-in-Charge
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 14th day of May, 2018

Mindy C. Walker
(NOTARY)



My Commission Expires: 7.6.2020

EXHIBIT B



May 14, 2018

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

RE: Report of Examination – Erlanger Health Plan Trust

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for **Erlanger Health Plan Trust**. By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

A handwritten signature in blue ink, appearing to read "JBT 2".

J. Britton Tabor, CPA, FACHE
Executive V.P & CFO/Treasurer