

EXHIBIT A



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION
OF THE
TD CONSORTIUM BENEFITS TRUST
CHATTANOOGA, TENNESSEE

AS OF
DECEMBER 31, 2016

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Chattanooga, Tennessee
February 7, 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 Tenn. Code Ann. § 56-26-204 and Tenn. Comp. R. & Regs. 0780-01-76, an organizational examination was made of the financial condition and affairs of the

TD CONSORTIUM BENEFITS TRUST
6505 Lee Highway
Chattanooga, Tennessee 37421

hereinafter and generally referred to as the "Trust" or "TDCBT", and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Commissioner of the Tennessee Department of Commerce and Insurance (TDCI) and commenced on December 12, 2016. The examination was an "organizational examination" and was conducted by a duly authorized representative of the TDCI.

SCOPE OF EXAMINATION

This examination was conducted as of December 31, 2016, to determine if the Trust has complied with the statutory and regulatory requirements to be issued a Certificate of Authority to establish and operate a self-insured qualified "Multiple Employer Welfare Arrangement" (MEWA) according to the provisions of Tenn. Code Ann. § 56-26-204 and Tenn. Comp. R. & Regs. 0780-01-76. The examination included the verification of assets, review of organizational documents, and plan of operation. The following documents and records of the Trust were reviewed:

- (1) Trust Agreement for TDCBT;
- (2) TDCBT's Application Filing;

- (3) Minutes to meetings and Resolutions of the Board of Trustees meetings;
- (4) Biographical sketches of all trustees and officers;
- (5) TDCBT's proposed Plan of Operation;
- (6) TDCBT's executed Surplus Note;
- (7) Investment statements; and
- (8) Tri-party Depository Agreement – General Deposit between the Trust, the Commissioner of the TDCI, and Pinnacle Bank.

COMPANY HISTORY AND ORGANIZATION

TDCBT, sponsored by the Tennessee Dental Association (TDA), was formed in order to establish an employee welfare benefit plan as defined by the Employee Retirement Income Security Act of 1974 (ERISA). The TDA, in its Board of Trustees Meeting on October 8, 2016, approved the creation of the Trust. The resolution authorized the development of the Trust, which shall make plans of employee welfare benefits available to TDA members, their employees, and dependents.

The Trust proposes to offer health benefits to those plan participants (“members”) who agree to make contributions to the Trust to provide for payment of the benefits outlined in the Trust’s Plan Document.

The Trust filed its Uniform Certificate of Authority Application (UCAA) for licensure with the TDCI on December 5, 2016, and paid the required application fee of \$675.00 prescribed by Tenn. Code Ann. § 56-4-101(a)(1).

The issuance of a Surplus Note payable to the Trust in the amount of \$300,000 was provided by TDA Insurance Agency, Inc. Those funds were distributed to the Trust on December 12, 2016, satisfying the funding requirement by the TDCI for capital and surplus, prior to the granting of a Certificate of Authority for a MEWA to write health insurance. Therefore, the minimum surplus requirements of Tenn. Comp. R. & Regs. 0780-01-76-.06 are satisfied.

MANAGEMENT AND CONTROL

MANAGEMENT

Trustees

As provided for in TDCBT’s Trust Agreement, the Trustees shall have the duty and the responsibility for the overall operation and administration of the Trust.

On October 8, 2016, TDA appointed Chris Scoggins, Jeff Smith, and Buck Orrison as TDCBT's initial members of its Board of Trustees. These individuals were still serving as Board Trustees on December 31, 2016:

Chris Scoggins	Trustee
Jeff Smith	Trustee
Buck Orrison	Trustee

Officers

The following persons were appointed as initial officers of the Trust and were still serving in that role, as of December 31, 2016:

Chris Scoggins	Chairman
Jeff Smith	Secretary / Treasurer

Biographical affidavits of all trustees and officers were reviewed for compliance with Tenn. Comp. R. & Regs. 0780-01-76, with no exceptions noted.

CONTROL

TDCBT is ultimately owned and controlled by its members. No common stock is issued nor owned by any corporation or entity. The TDA is the Plan Sponsor who created the Trust, but does not own the Trust. Per ERISA and Tenn. Code Ann. § 56-26-204, a sponsoring association must organize the MEWA, and eligibility of that particular association is how an employer qualifies to enroll in the Plan.

The Trustees are elected by the participants to run the operations of the Plan. With the Trustees being the ultimate controlling authority, they have authority (as outlined in the Trust Agreement) and choose to outsource many components of the operations.

CONFLICTS OF INTEREST AND PECUNIARY INTEREST

The Trust does not have a formal conflict of interest policy to govern the actions of all trustees, officers, and employees to ensure compliance with Tenn. Code Ann. § 56-3-103. This issue is noted further in the section titled "Comments and Recommendations".

AFFILIATED COMPANIES

As previously discussed in the Control section of this report, the Trust is a member-owned health plan and is not owned by any corporation or entity. Also, the Trust does not own any other corporations or entities. Therefore, the Trust is not part of any holding company system as defined by Tenn. Code Ann. § 56-11-101(b)(7), nor does it have any affiliated companies.

CORPORATE RECORDS

Trust Agreement

TDCBT does not have a Charter or Bylaws. Because the Trust Agreement is the governing document for TDCBT that describes the rights and obligations of the employers, employees and beneficiaries of the arrangement, it contains many of the components found within typical Bylaws and satisfies the requirements of Tenn. Comp. R. & Regs. 0780-01-76-.05(2)(a). The Trust Agreement is entered into, by, and between the TDA and the Trustees of TDCBT. It was signed by each of these parties on September 29, 2016.

The Trust Agreement states its primary purpose is to hold and invest the contributions made to the Trust for the exclusive benefit of the subscribers in the plan and their dependents, and to pay from the assets of the Trust the reasonable and proper expenses of the plan and the Trust.

The Trustees shall have the duty and responsibility for the overall operation and administration of the Trust. The number of the successor Trustees to the initial Trustees shall be determined by a majority vote of the then serving Trustees, but that number shall be no more than seven (7) and no less than three (3) individuals. The term for the initial Trustees shall be staggered at one (1), two (2), and three (3) years for select Trustees, then the term for each successor Trustee shall typically be three (3) years.

The Trustees, by majority vote, shall elect one Trustee as the Chairman for the Trustees. The Trustees may elect additional officers for the Trust as necessary to effectively fulfill its responsibilities. The Trustees will elect these officers by majority vote, each to serve at the pleasure of or for the term or terms as set by a majority vote of the Trustees.

The Trustees shall meet not less than quarterly at the time and place in the State of Tennessee as called upon to do so by the Chairman of the Trustees after reasonable, written notice to the Trustees. Action taken by the Trustees with or without a meeting shall be undertaken by a majority vote of the Trustees whether by proxy or otherwise.

Meeting Minutes

Minutes of the meetings of the Board of Trustees, since the Trust was organized, were reviewed and found to provide a summary of the actions approved.

PROPOSED PLAN OF OPERATION

The Trust proposes to offer health benefits to those plan participants (“members”) who agree to make contributions to the Trust to provide for payment of the benefits outlined in the Trust’s Plan Document. This type of arrangement is in accordance with Tenn. Code Ann. § 56-26-204 and Tenn. Comp. R. & Regs. 0780-01-76.

The TDA members will be solicited for business by the Trust’s Managing General Agent, Insurance Planning and Service Company (IPSCO). IPSCO has had a long-standing relationship with the TDA where they are the preferred agency for providing insurance product services.

The Trust’s actuary and underwriter will evaluate each eligible employer that applies for coverage and determine the amount to be contributed by the employer and the amount to be contributed, if any, by each covered employee. Once coverage is established, the Trust will pay claims based off the eligible medical benefits described in the Plan Document.

The Trust will be tentatively offering five (5) plan designs with deductibles ranging from \$500 up to \$5,000. The Trust will implement a renewal strategy that renews the entire block on January 1 each year. Initially, the group will have rates guaranteed between one (1) and twelve (12) months, depending on their effective date. A group’s second year rates will be guaranteed for twelve (12) months, and they will move to a January 1 effective date.

Marketing is being kept at a minimum until the Trust is licensed. Once licensed, IPSCO and the TDA will initiate a marketing campaign to attract the eligible TDA members to enroll in the Trust.

TDCBT has contracted with Health Cooperative Strategies (HCS) for plan oversight and with a Third Party Administrator, Self Insured Services Company (SISCO), for claims administration. Lewis & Ellis will support the plan by providing actuarial and underwriting services.

As required by Tenn. Comp. R. & Regs. 0780-01-76-.04(3), the Trust will maintain specific and aggregate stop loss insurance coverage covering one hundred percent

(100%) of claims in excess of the attachment points recommended by a qualified actuary. The proposed stop loss insurance carrier is American Alternative Insurance Company, a wholly-owned subsidiary of Munich Re Stop Loss.

STATUTORY DEPOSIT

The following table reflects the securities that comprise the Trust's statutory deposit held by Pinnacle Bank in accordance with Tenn. Comp. R. & Regs. 0780-01-76, as of December 31, 2016.

<u>Jurisdiction</u>	<u>Description</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Tennessee	Certificate of Deposit, 0.90%, issued 12/12/2016, due 12/12/2018, Certificate # 4212533	\$100,000	\$100,000	\$100,000
Total		\$100,000	\$100,000	\$100,000

The Trust executed a Depository Agreement and placed a deposit with the Commissioner of the TDCI pursuant to Tenn. Comp. R. & Regs. 0780-01-76, on December 12, 2016. The securities are held pursuant to a tri-party Depository Agreement – General Deposit with the Trust, the Commissioner of the TDCI, and Pinnacle Bank. The Trust signed the agreement on November 30, 2016, Pinnacle Bank signed the agreement on November 30, 2016, and the Commissioner signed the agreement on December 20, 2016.

FINANCIAL STATEMENTS

Here follows a statement of assets and liabilities as of December 31, 2016, as established by this organizational examination:

ASSETS

Bonds (long-term certificate of deposit)	\$100,000
Cash	<u>200,000</u>
Total admitted assets	<u>\$300,000</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Liabilities	\$ 0
Common capital stock	0
Surplus note	<u>300,000</u>
Capital and surplus	<u>300,000</u>
Total liabilities, capital, and surplus	<u>\$300,000</u>

Surplus

The Trust's surplus is in the form of cash and a long-term certificate of deposit held by Pinnacle Bank. The certificate of deposit is pledged to the Commissioner of the TDCI, as noted in the "Statutory Deposit" section of this report.

SUBSEQUENT EVENTS

None.

COMMENTS AND RECOMMENDATIONS

Comments

The Trust does not have a formal conflict of interest policy to govern the actions of its trustees and officers. As a good business practice and to evidence compliance with Tenn. Code Ann. § 56-3-103, the Trust is advised to implement such a policy and require annual disclosures of conflicts or potential conflicts of interest.

Recommendations

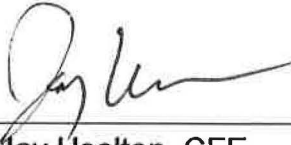
None.

CONCLUSION

Through this examination, it was determined that, as of December 31, 2016, the Trust had admitted assets of \$300,000 and liabilities of \$0. Thus, there existed capital and surplus funds of \$300,000.

The courteous cooperation of the officers, trustees and employees of the Trust and representatives of Health Cooperative Strategies, LLC extended during the course of the examination is hereby acknowledged.

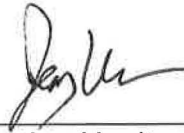
Respectfully submitted,



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

AFFIDAVIT

The undersigned deposes and states that he has duly executed the attached examination report of TD Consortium Benefits Trust, as of December 31, 2016, and dated February 7, 2017, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further states he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information, and belief.



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

State Tennessee

County Davidson

Subscribed to and sworn before me

this 21 day of February, 2017

Notary Mindy C. Walker

My Commission Expires: 7.6.2020



EXHIBIT B



TD CONSORTIUM BENEFITS TRUST

February 22, 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 – TD Consortium Benefits Trust

Dear Ms. Little:

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

Sincerely,

A handwritten signature in black ink, appearing to read "RD", is written over a horizontal line. The signature is stylized and somewhat abstract.

Ryan Davis
Vice President