EXHIBIT A

STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NASHVILLE, TENNESSEE

AS OF

DECEMBER 31, 2013

RECEIVED
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Dept. of Commerce & Insurance
Company Examinations

TABLE OF CONTENTS

Introduction 1
Scope of Examination 1
Compliance with Previous Examination Findings 2
Association History 2
  Dividends 3
Management and Control 3
    Management 3
    Control 4
  Conflicts of Interest and Pecuniary Interest 4
  Corporate Governance 5
  Corporate Records 5
    Charter and Bylaws 5
    Corporate Minutes 5
Service Agreements 5
    Administrative and Management Services 5
    Accounting Services 6
    Investment Management Services 6
Fidelity Bond and Other Insurance 6
Territory and Plan of Operation 7
Growth of Association 9
Accounts and Records 9
Commitments and Contingencies 10
Privacy Statement 10
    Privacy of Non-Public Personal Information 10
Financial Statements 12
  Assets 12
  Liabilities 12
  Statement of Activities and Changes in Net Assets 13
Analysis of Changes in Financial Statements 15

Subsequent Events 15
Comments and Recommendations 15
Conclusion 16
Affidavit 17

Nashville, Tennessee
March 19, 2015

Honorable Julie Mix McPeak
Commissioner
Tennessee Department of Commerce & Insurance
Davy Crockett Tower, 12th floor
500 James Robertson Parkway
Nashville, Tennessee 37243-0565

Dear Commissioner:

Pursuant to your instructions and in accordance with Tennessee Insurance Laws and regulations, a full-scope financial examination as of December 31, 2013, has been made of the condition and affairs and of the:

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

150 Third Avenue South, Suite 1600
Nashville, Tennessee 37201

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

INTRODUCTION

This examination is arranged by the Commissioner of the Tennessee Department of Commerce and Insurance (TDCI). The examination commences on October 1, 2014. The Association is the guaranty association covering life and health insurance business in the State of Tennessee. The examination is performed by duly authorized representatives of the TDCI.

SCOPE OF EXAMINATION

The Department completed the last examination of the Association as of December 31, 2008. This examination report covers the period from January 1, 2009, through December 31, 2013, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination is conducted in accordance with the NAIC *Financial Condition Examiners Handbook* and practices and procedures of the TDCI. The examination is

planned to evaluate the financial condition of and identify prospective risks of the Association by obtaining information about the Association, including corporate governance, identifying and assessing inherent risks within the Association, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with "Cash Accounting," when consistent with Tennessee statutes and regulations.

Our examination includes a review of the Association's business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities. In addition, our examination includes tests to provide reasonable assurance that the Association was in compliance with applicable laws, rules and regulations. In planning and conducting our examination, we give consideration to the concepts of materiality and risk, and our examination efforts are directed accordingly.

The Association is audited annually by the independent public accounting firm of Faulkner Mackie & Cochran, P.C. The firm expressed unqualified opinions on the Association's financial statements for calendar years 2009 to 2013. We reviewed the workpapers prepared by the independent public accounting firm related to the audit for the year end December 31, 2013. Our examination efforts concentrated on the year end December 31, 2013.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The previous Report on Examination dated April 29, 2011, which covered the period from January 1, 2004, through December 31, 2008, contained no recommendations to the Association. No compliance issues were noted requiring action on the part of the Association.

ASSOCIATION HISTORY

The Association was organized pursuant to Tennessee Life and Health Insurance Guaranty Act, effective July 1, 1989. Under provisions of the Act, the Commissioner of Insurance appointed a Board of Directors composed of nine (9) members who submitted a Plan of Operation effective July 1, 1989. The Plan is discussed under the caption, "TERRITORY AND PLAN OF OPERATION" in this report.

The Association provides a mechanism to pay eligible claims and other contractual obligations on existing policies of insolvent life and health insurance companies.

Members of the Association include all insurers licensed to write life, annuity, or accident and health insurance in Tennessee.

DIVIDENDS

No dividends or distributions have been paid to the members of the Association since its inception.

MANAGEMENT AND CONTROL

Management

Management of the Association is vested in a Board of Directors elected by member insurers as provided in Tenn. Code Ann. § 56-12-206. In accordance with the Plan of Operation and statute, the Board shall consist of not less than five (5) nor more than nine (9) Members.

Regular and special meetings of the Board may be held on the request of any two Board members. The Plan of Operation states that the Board shall meet annually in the month of October, and also upon notice from the Commissioner of any insolvency of a member insurer.

The following persons were duly elected and serving as Members of the Association's Board of Directors at December 31, 2013:

Name	Company Affiliation
Sharon K. Roberson, Chairman	American General Life Insurance Company
Edward K. Lancaster, Vice Chairman	Tennessee Farmers Life Insurance Company
William Dickson Williams, Secretary	Plateau Insurance Company
Jeff Shay	State Farm Insurance Companies
Elizabeth H. Simon	Unum Group
J. Barclay Phillips	BlueCross BlueShield of Tennessee
Tim Vessell	CIGNA Healthcare
Michael A. Jennings	Prudential Insurance Company of America
Barrie Balzli Stokes	Provident Life Insurance Company

D. Michael Graham also serves as an Alternate Director, representing Plateau Insurance Company.

The Board of Directors has appointed the following Committees to help provide oversight of the affairs of the Association:

Audit Committee

Name	Company Affiliation
D. Michael Graham	Plateau Insurance Company
Barry Hopkins	American General Life and Accident Insurance Company
Wayne Merrill	Tennessee Farmers Life Insurance Company

The Audit Committee additionally functions as the Investment Committee.

A Nominating Committee made up of three member insurers has been established to vet potential Board and Committee Members to fill vacant positions. The members of the committee are as follows:

Nominating Committee

BlueCross BlueShield of Tennessee
Protective Life Insurance Company
Plateau Insurance Company

Control

Primary control of the Association is vested in its Members. Membership is composed of all insurance companies authorized to write life, annuity, or accident and health insurance business in the state of Tennessee.

CONFLICTS OF INTEREST AND PECUNIARY INTEREST

The Association has a Conflict of Interest Policy which is intended to govern the actions of all directors, the Administrator, the assistant to the Administrator, and consultants retained by the Association, directly or through the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA".) These persons file annual conflict of interest questionnaires. No conflicts were noted in the review of the signed questionnaires.

No director or officer of the Association had pecuniary interest in the investment or disposition of Association funds.

CORPORATE GOVERNANCE

Corporate Governance is the system by which business corporations are directed and controlled. During our examination, we reviewed the Association's corporate governance function, including the Association's risk management process.

The Association has no employees. Therefore, risks are identified by the Board of Director Members, the Association Administrator, and the servicing companies. The Association's risk management process contains open communication between Members, officers, and servicing companies. Timely reporting is observed. These procedures allow management to make informed business decisions. Results from the process produce reporting and monitoring of the identified risks, as well as developing mitigation plans, when necessary.

CORPORATE RECORDS

Charter and Bylaws

No charter or bylaws are required to be filed, as the Association operates in accordance with Tenn. Code Ann. § 56-12-201 *et seq.* pursuant to its approved "Plan of Operation."

Corporate Minutes

The minutes of the meetings of the Board of Directors, the committees of the Board of Directors, and various documentation were reviewed for the period under examination. The minutes of meetings of the Board and the committees for the current examination period appear to properly document and support significant transactions and events of the Association.

SERVICE AGREEMENTS

The Association uses independent contractors to perform the functional duties of the Association.

Administrative and Management Services

Mr. Dan Elrod, a partner in the law firm of Butler Snow acts as administrator for the Association. The Administrator provides the following services with the assistance of Ms. Renee Birdwell who acts in the capacity of Assistant to Administrator:

1. "Provide legal advice to the Association on various matters as requested;
2. Establish and maintain the required accounts for the Association;
3. Establish and maintain all books and records relating to the operation of the Association;
4. Distribute required assessments and account for remittances;

5. Handle all policyholder claims, correspondence, telephone inquiries and other routine matters associated with the administration of the Association;
6. Coordinate with the appropriate persons in the TDCI regarding guaranty fund activities;
7. Coordinate with the appropriate persons in NOLHGA regarding fund activities;
8. Attend and participate in meetings of NOLHGA, NOLHGA Task Forces that affect the Association and the NOLHGA legal section seminar;
9. Record and maintain the minutes of the Association;
10. Advise the Board regarding reinsurance matters and other contractual matters;
11. Supervise services performed by other vendors, including data processing and assessment preparation."

A Letter of Proposal is submitted on a yearly basis.

Accounting Services

Faulkner Mackie & Cochran, P.C. perform the annual audit of the Association and provide tax services to assist the Association with the filings required for non-profit organizations.

An engagement letter is submitted on a yearly basis.

Investment Management Services

Morgan Stanley Smith Barney LLC assist the Association with investment management and counseling.

FIDELITY BOND AND OTHER INSURANCE

Since Tenn. Code Ann. § 56-12-216 provides immunity from liability, the Association has elected to self-insure its operations and retain no outside insurance coverage. Tenn. Code Ann. § 56-12-216 provides as follows:

> (a) There shall be no liability on the part of, and no cause of action of any nature shall arise against, any member insurer or its agents or employees, members of the board of directors, or the commissioner or the commissioner's representatives, for any action or omission by them in the performance of their powers and duties under this part.

(b) This immunity shall extent to the participation in any organization of one (1) or more other state associations of similar purposes and to any such organization and its agents and employees.

TERRITORY AND PLAN OF OPERATION

The Association was organized pursuant to, and operates in accordance with, Tenn. Code Ann. § 56-12-201, *et seq*. (Tennessee Life and Health Insurance Guaranty Act), (the "Act") under a Plan of Operation adopted pursuant to the Act and approved by the Commissioner. The Association is composed of all insurance companies authorized to write life, annuity, or accident and health insurance business in the state of Tennessee. The Association provides coverage to Tennessee residents who are insured by or are beneficiaries of, insurance policies issued by member companies.

Operations are under the direction of a Board of Directors composed of nine (9) member insurance companies elected by the Members and approved by the Commissioner as further described under the caption, "MANAGEMENT AND CONTROL" in this report.

The obligations to provide coverage are triggered upon the finding of insolvency and an order of liquidation with respect to a member company. The Act also provided limited discretionary authority for the Association to provide coverage in the event that a member company becomes impaired, but to date, the Association has not exercised this discretionary authority, and has provided coverage only in the event of insolvency and liquidation.

Lines of business covered by the Association, as defined in the Act, are as follows:

- Life
- Annuity
- Health
- Life and annuity contracts issued in connection with plans qualified under Internal Revenue Code, Section 403(b).

  Effective January 1, 2011 the separate category for 403(b) plans was eliminated and life and annuity contracts with such plans are treated the same as any of the life insurance or annuity contracts.

The limits of coverage provided by the Association to Tennessee residents are as follows:

- Life insurance death benefits - $300,000
- Life insurance surrender benefits - $100,000
- Present value of annuity benefits for companies declared insolvent before July 1, 2009 - $100,000
- Present value of annuity benefits for companies declared insolvent after June 30, 2009 - $250,000

- Health insurance benefits for companies declared insolvent before January 1, 2010 - $100,000
- Health insurance benefits for companies declared insolvent on or after January 1, 2010:

    - $100,000 for limited benefits and supplemental health coverages
    - $300,000 for disability and long term care insurance
    - $500,000 for basic hospital medical and surgical insurance or major medical insurance

Funding to the Association is provided by assessments of member companies. Class A assessments shall be for administrative costs, legal costs and other costs of operation. This assessment can be on a pro rata or non-pro rata basis. A non-pro rata Class A assessment shall not exceed $150 per member for a calendar year. Class B assessments shall be made to carry out the Association's powers and duties with regard to an impaired or insolvent insurer. Each member's share of a Class B assessment is determined according to the following pro-ration formula.

> A Member company's Tennessee premium for the three (3) years prior to the date of insolvency for the affected line of business – divided by Tennessee premium for all companies for the affected line of business

The Association's capacity to assess member companies for all assessments is limited by calendar year to two percent (2%) of each company's average annual premium for the three (3) years prior to the date of insolvency.

As of December 31, 2013, there were seven (7) active open insolvencies with material activity during the 2013 year being administered by the Association. The insolvencies are as follows:

Name of Company	Date of Impairment/Insolvency
Executive Life Insurance Company (CA)	12/06/1991
Executive Life Insurance Company of New York	04/23/1991
Life and Health Insurance Company of America (PA)	07/02/2004
Lincoln Memorial Life Insurance Co. (TX)	08/11/2008
National States Insurance Company (MO)	11/15/2010
Penn Treaty Network America Insurance Co. (PA)	01/06/2009
Universal Life Insurance Company (AL)/Booker T. Washington Insurance Company (AL)	05/05/2010

The Association is a member of the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") which assists in the performance of many functions involving the insolvencies of multi-state insurers. The nature of their activities as summarized in the NOLHGA Audited Financial Statement is as follows:

"NOLHGA is a voluntary organization comprised of the life and health guaranty associations of all 50 states and the District of Columbia. NOLHGA collects and disseminates information related to life and health insurance company impairments and insolvencies, and serves as a national clearinghouse for the transfer of funds and the resolution of issues and problems facing life and health guaranty associations in handling multi-state impairments and insolvencies of life and health insurance companies. It also provides a forum for the analysis of operational issues for member associations. NOLHGA acts on behalf of its member guaranty associations to arrange claims processing, complete due diligence of impaired or insolvent companies' financial, legal and actuarial status, and collect and analyze reinsurance bids."

GROWTH OF ASSOCIATION

According to annual reports filed with the TDCI, the following table provides the financial history of the Association since the previous examination.

Year	Assets	Liabilities	Fund Value / Net Assets	Type A Assessment Collected	Type B Assessment Collected
2013	$44,564,559	$0	$44,564,559	$404,805	$0
2012	$46,677,848	$0	$46,677,848	$300	$1,229
2011	$52,302,525	$0	$52,302,525	$399,615	$0
2010	$40,780,959	$0	$40,780,959	$150	$2,731,081*
2009	$38,065,515	$0	$38,065,515	$150	$0

The Class B assessment in the amount of $2,750,000 was levied in June of 2010 in order to fund the insolvencies of Benicorp Insurance Company and States General Life Insurance Company. The most recent Class A assessment for operating expenses was approved in October of 2012 to be levied in January of 2013 for the 2013 and 2012 years. An assessment of $150 per member per year is allowable.

*In some cases, companies no longer do business in Tennessee or cease to exist. Further collection efforts are not cost effective.

ACCOUNTS AND RECORDS

The Association's general accounting records consisted of an automated general ledger and various subsidiary ledgers (e.g., cash receipts, cash disbursements). Our review did not disclose any significant deficiencies in these records.

Accounting records conformed to cash receipts and disbursement accounting practices and reflected the Association's operations during the period under examination and the status of the Association at the date of examination.

Faulkner Mackie & Cochran, P.C., Nashville, Tennessee annually audited the Association.

COMMITMENTS AND CONTINGENCIES

At December 31, 2013, the Association had deposits at one commercial bank which exceeded the Federal Deposit Insurance Corporation basic limit of $250,000 by approximately $149,000.

The Association has been informed of the possibility of other companies becoming "insolvent insurers" and of various potential covered claims. The amount of such claims cannot be currently estimated until such claims are formally asserted against the Association.

The investment securities and cash equivalents owned by the Association are inherently exposed to market risks, credit risks and other factors such as economic conditions, interest rate volatility, and adverse industry trends. These risks create the possibility that changes in the fair value of the investment portfolio could occur in the near term which could materially affect the Fund Balance reported as of December 31, 2013.

The Company provided the following statement concerning changes in national healthcare law:

> "The Patient Protection and Affordable Care Act (the "Act") was signed into law by the President of the United States on March 23, 2010. This legislation has the potential to change the national healthcare landscape for years to come. As a result, management believes the Act will impact insurance companies that provide healthcare coverage, as various provisions of the Act are implemented. However, the ultimate impact on the Association and its member companies is not currently determinable."

PRIVACY STATEMENT

Privacy of Non-Public Personal Information

The Association has adopted a Privacy Statement which states the following:

"The Association is a nonprofit association created by state law to protect policyholders in event of insurance insolvencies. Because the Association is not a commercial entity in the business of engaging in financial activities, it is not a financial institution under the Gramm-Leach-Bliley Act enacted by Congress in 1999 to govern disclosure of nonpublic personal financial information. Moreover, the Association does not fit the definition of "Licensee" within the meaning of Tennessee legislation.

Notwithstanding the above, the Association continues to recognize the importance of limiting the disclosure of any nonpublic personal information of policyholders than may come into its possession incident to the fulfillment of its statutory mission of protecting policyholders affected by the impairment or insolvency of an insurance company. Therefore, it is the policy of the Association to refrain from disclosing any nonpublic personal information of policyholders other than in connection with the fulfillment of its statutory obligations or as otherwise permitted or required by law."

FINANCIAL STATEMENTS

The following is a statement of assets, liabilities and statement of revenue and expenses as of December 31, 2013, together with a reconciliation of reserves and unassigned funds for the period under review:

ASSETS

	2013	2012	2011	2010	2009
Cash and cash equivalents	$464,765	$667,400	$1,227,567	$279,199	$390,182
Investments	44,099,794	46,010,448	51,074,958	40,501,760	37,675,333
Total assets	$44,564,559	$46,677,848	$52,302,525	$40,780,959	$38,065,515

LIABILITIES

	2013	2012	2011	2010	2009
Liabilities	$0	$0	$0	$0	$0
Total liabilities	0	0	0	0	0
Total	44,564,559	46,677,848	52,302,525	40,780,959	38,065,515
Fund Balance	$44,564,559	$46,677,848	$52,302,525	$40,780,959	$38,065,515

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

	2013	2012	2011	2010	2009
RECEIPTS					
Assessments:					
Class A	$404,805	$300	$399,615	$150	$150
Class B	0	1,229	0	2,731,081	0
Total assessments	404,805	1,529	399,615	2,731,231	150
Estate Settlements:					
Life	122,979	577,611	8,521,656	204,033	5,680
Annuity	2,347	11,500	3,306,796	4,197	499,323
Health	492,713	438,717	1,124,213	1,223,501	126,938
Total settlements	618,039	1,027,828	12,952,665	1,431,731	631,941
Premium distributions received	67,236	1,034,758	2,046,856	17,202	0
Investment income	588,196	736,963	558,088	564,177	765,384
Total revenues	1,678,276	2,801,078	15,957,224	4,744,341	1,397,475
DISBURSEMENTS					
Claims paid:					
Life	469,575	4,344,283	3,353,393	801,181	983,398
Annuity	1,519,787	2,676,936	280,990	289,013	322,133
Health	491,365	446,892	499,591	176,764	133,071
Total claims paid	2,480,727	7,468,111	4,133,974	1,266,958	1,438,602
Return of prior estate settlements	0	0	0	109,467	0
Administrative fees for specific insurer insolvencies	151,441	364,861	445,939	360,246	99,585
General administrative expenses:					
Dues	63,194	57,273	51,722	53,355	53,505
Outside services	109,340	99,643	99,878	133,858	102,130
Other	19,911	19,367	18,610	22,867	11,707
Total general administrative expenses	192,445	176,283	170,210	210,080	167,342
Total Disbursements	2,824,613	8,009,255	4,750,123	1,946,751	1,705,529

Excess / Deficit of Receipts over Disbursements	(1,146,337)	(5,208,177)	11,207,101	2,797,590	(308,054)
FUND BALANCE					
Fund Balance at beginning of year	46,677,848	52,302,525	40,780,959	38,065,515	38,692,653
Change in net unrealized gains and losses on investments	(966,952)	(416,500)	314,465	(82,146)	(319,084
Fund Balance at end of year	$44,564,559	$46,677,848	$52,302,525	$40,780,959	$38,065,515

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

There were no changes to the financial statement as a result of this examination.

SUBSEQUENT EVENTS

Mr. David Kumatz replaced Sharon Roberson as the Chairman of the Board of Trustees during 2014. Mr. Kumatz represents American General Life Insurance Company, which is the succession of American General Life and Accident Insurance Company through a merger.

COMMENTS AND RECOMMENDATIONS

Based upon the results of this examination, the Association is in compliance with the Tennessee Life and Health Insurance Guaranty Act (Tenn. Code Ann. § 56-12-201 *et seq.*)

CONCLUSION

The customary insurance examination practices and procedures, as promulgated by the National Association of Insurance Commissioners and the Tennessee Department of Commerce and Insurance, have been utilized in connection with the verification and valuation of assets and the determination of liabilities in the financial statements of this report.

In such manner, it was determined that as of December 31, 2013, the Association had net admitted assets of $44,564,559, liabilities of $0, and net assets (net fund balance) of $44,564,559.

Respectfully submitted,

Keith M. Patterson
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of the Tennessee Life and Health Insurance Guaranty Association, dated March 19, 2015 and made as of December 31, 2013, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says 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.

Keith M. Patterson
Examiner-in-Charge
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 20th day of March, 2015

Notary Helen W. Dorsey

My Commission Expires: 11/06/2017

HELEN W DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY