STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

PLATEAU INSURANCE COMPANY

(NAIC # 97152)

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 conditions and affairs of:

PLATEAU INSURANCE COMPANY
NAIC # 97152
2701 North Main Street
Crossville, Tennessee 38555-5409

hereinafter generally referred to as "PIC" 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 parent, Plateau Casualty Insurance Company (PCIC). 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 of the Company 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 the 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 NAIC *Annual Statement Instructions* ("Instructions").

All significant risks were considered when planning to determine 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 and change 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.

The Company does not maintain an Internal Audit (IA) Department. The Company also does not 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.

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

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 and one (1) recommendation. The Company addressed the comments during the course of the previous examination. The recommendation, as summarized below, was addressed by the Company after the previous examination was completed:

Recommendations

1. The Company did not elect an Executive Vice President in 2014, as required by its Bylaws.

   Subsequent to the previous examination, the Company elected an Executive Vice President.

COMPANY HISTORY

The Company was incorporated on July 29, 1980, to engage in the business of credit life insurance and credit accident and health insurance, as a Tennessee domiciled for-profit life insurance company with ten thousand (10,000) shares of $1.00 par value capital stock.

The Company's Charter of Incorporation ("Charter") was amended and restated effective March 3, 1981, to change the par value of its authorized capital stock from $1.00 per share to $100 per share. Effective March 23, 1981, the Company was issued a Certificate of Authority by the TDCI to transact the business of credit life insurance and credit accident and health insurance.

On July 15, 1983, Plateau Merger Corporation (PMC) was incorporated to engage in the business of credit life insurance and credit accident and health insurance as a Tennessee domiciled for-profit life insurance company with ten thousand (10,000) shares of $1.00 par value capital stock. PMC's charter was amended effective October 4, 1983, to change the par value of its authorized capital stock from $1.00 per share to $750 per share. On November 3, 1983, PMC was issued a Certificate of Authority by the TDCI to transact the business of credit life insurance and credit accident and health insurance.

Effective December 28, 1983, Articles of Merger, Plan and Agreement of Merger, and Amendment to Plan and Agreement of Merger were filed and recorded with the Secretary of State of the State of Tennessee. Such merger occurred in two (2) steps: (1) a merger was completed among MRS Life Insurance Company, an Arizona domestic insurance company; Allen-Russell Life Insurance Company, an Arizona domestic insurance company; and PMC, with PMC being the surviving corporation; and (2) a merger by and between the Company as originally incorporated and PMC was completed, with PMC being the surviving corporation; and amending its charter to change its name to Plateau Insurance Company. The merger plan was adopted by the shareholder of PMC at a meeting on December 22, 1983, and was made effective January 1, 1983, for accounting purposes. Said merger plan was approved by the Arizona Department of Insurance, effective May 13, 1983, and was approved by the TDCI effective December 28, 1983. As a result of the merger and company name change, a new Certificate of Authority was issued to the Company by the TDCI and made effective December 29, 1983, to transact the business of credit life insurance and credit accident and health insurance.

On October 29, 1984, Customers Merger Corporation (CMC) was incorporated to engage in the business of credit life insurance and credit accident and health insurance as a Tennessee domiciled for-profit life insurance company with one hundred thousand (100,000) shares of $1.00 par value capital stock. CMC's charter was amended effective November 15, 1984, to change the number of authorized shares of capital stock to seven hundred fifty thousand (750,000) shares of $1.00 par value capital stock. On November 26, 1984, CMC was issued a Certificate of Authority by the TDCI to transact the business of individual credit life insurance, individual credit accident and health insurance, group credit life insurance, and group credit accident and health insurance.

Effective December 31, 1984, a Plan and Agreement of Merger was filed and recorded with the Secretary of State of the State of Tennessee. Such mergers occurred in the following steps: (1) Plateau Insurance Company and Customers Life Insurance Corporation ("Customers"), an Arizona domestic, merged, with Customers being the surviving corporation; and (2) a merger between Customers and CMC occurred, with CMC being the surviving corporation and amending its charter to change its name to

Plateau Insurance Company. The Charter and Bylaws of the Company became the Charter and Bylaws of the surviving corporation after the mergers. The merger plan was made effective as of January 1, 1984, for accounting purposes. The Arizona Department of Insurance approved the merger plan effective December 27, 1984. On December 31, 1984, the merger plan was approved by the TDCI. As a result of the merger and Company name change, a new certificate of authority was issued to the Company by the TDCI, and made effective December 31, 1984, to transact the business of individual credit life insurance, individual credit accident and health insurance, group credit life insurance, and group credit accident and health insurance.

On September 27, 1985, the Company's Charter was amended to authorize ten thousand (10,000) shares of capital stock with a par value of $1,200 per share. All of the outstanding shares of the Company were owned by its parent, PGI, a Tennessee insurance and financial services holding company.

On November 26, 1986, the Company acquired control of Two Rivers Life Insurance Company ("Two Rivers"). On November 28, 1986, the Company merged with Two Rivers, with the Company being the survivor.

On December 28, 1995, PCIC was organized as a property and casualty insurer under the laws of the State of Tennessee. As of May 1, 1997, PCIC was one hundred percent (100%) owned by PGI.

On March 1, 2001, PGI contributed the common voting stock of PCIC to the Company. The stock, one thousand (1,000) shares at $1,000 par value per share, was contributed at its statutory value at that time of $3,671,593.

On May 16, 2005, PIC contributed $500,000 to the common capital stock of PCIC. In November 2005, PIC paid, as a dividend, the stock of PCIC to PGI. The amount of the dividend was $5,509,220.

In September 2006, ownership of PIC was transferred from PGI to PCIC through a non-cash dividend amount of $5,629,032, equal to the capital of PIC on the date of the transfer.

PIC common stock increased in 2011 due to an increase in the par value of the stock to $2,000 per share from $1,200 per share, gross paid in increased from $0 to $550,000 in 2011 and to $1,000,000 in 2012, and unassigned surplus has increased each year due to positive net income.

PIC received a surplus note from PGI for $4,500,000 in 2012. With the principal payment of $1,300,000 on September 25, 2020, the surplus note was fully repaid. All payments of interest and principal were approved by the TDCI.

At December 31, 2019, the Company had authorized capital stock of ten thousand (10,000) shares of common stock with a par value of $2,000 per share, of which one thousand, two hundred fifty (1,250) shares were issued and outstanding for a capital paid up of $2,500,000. All outstanding shares of the Company are owned by its parent, PCIC.

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 directors 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
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 be 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
Michael Ramsey	Treasurer

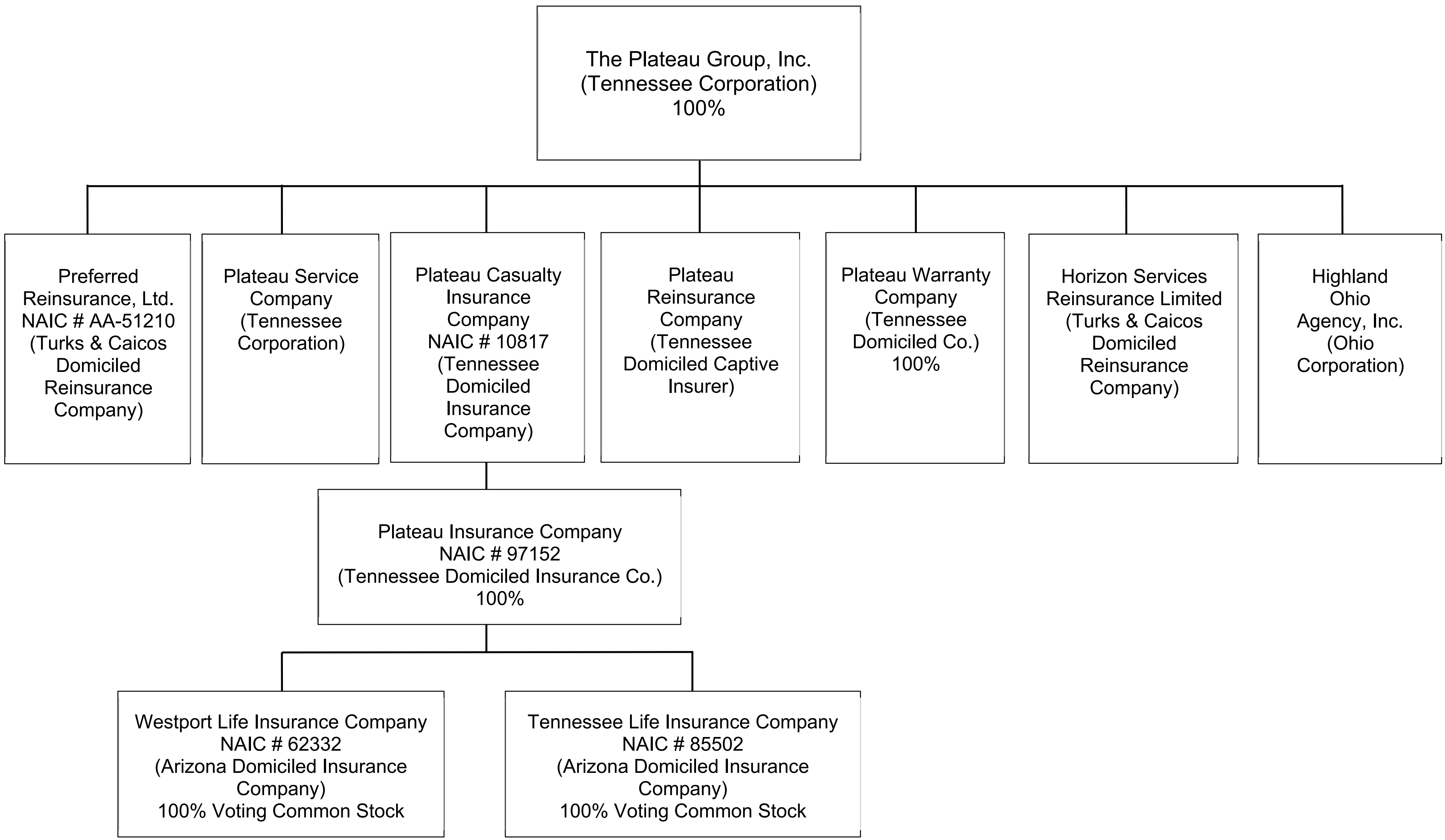
The administrative and executive functions of the Company are performed by staff employed through its ultimate parent, PGI and provided to the Company under the recitals of an Administrative Agreement between the Company and PGI as described in this report under the heading “Agreements with Parent and 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
NAIC # 97152
(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 paid no dividends to its shareholder.

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 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 conduct business as an insurance company 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 Amended and Restated Bylaws which were adopted by the Board on June 19, 2014. No amendments or restatements were made to the Company's Bylaws during the period of examination.

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, the Board, and its shareholder.

AGREEMENTS WITH PARENT AND AFFILIATES

The Company had two (2) agreements with affiliated companies in effect, as of December 31, 2019. The following are summaries of the agreements in effect:

Management Services 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 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%). The Company paid $1,829,776 under this agreement in 2019, which was three and three-fourths percent (3.75%) of direct plus assumed premiums.

Tax Allocation Agreement

The Company entered into a Tax Allocation Agreement, effective January 1, 2017, by and between PGI and its subsidiary companies: the Company, PCIC, 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.

Management Services Agreement

Effective December 1, 1986, the Company entered into a Management Services Agreement with its wholly-owned subsidiary, Tennessee Life Insurance Company (TLIC), an Arizona domiciled insurance company. Pursuant to the terms of the agreement, the Company will provide accounting services, tax services, management support, and marketing support. The Company received fees of $2,865 in 2019.

TERRITORY AND PLAN OF OPERATION

TERRITORY

The Company is a stock for-profit life insurance company domiciled in Tennessee and is licensed to transact business in forty-three (43) states, Guam, and Northern Mariana Islands. Certificates of Authority granted by the licensed states were reviewed and found to be in force at December 31, 2019. The Company currently has no applications pending for admission to any other states or territories.

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

PLAN OF OPERATION

The Company offers both credit life and credit accident and health insurance through group policies with consumer finance companies, community banks, automobile dealers, and other sales finance entities, collectively (the "Producers"). The producers then issue coverage, conveyed by insurance certificates, issued under the group policy, to its customers.

Many of the producers have organized reinsurance companies to which PIC 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 specialize 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:

Year	Admitted Assets	Liabilities	Capital and Surplus	Net Income
2019	$29,649,568	$12,092,488	$17,557,080	$1,506,216
2018	$27,920,133	$12,542,398	$15,377,735	$688,145
2017	$26,914,210	$13,230,826	$13,683,384	$612,557
2016	$25,944,557	$14,488,932	$11,455,625	$703,983
2015	$28,844,579	$17,835,298	$11,009,281	$509,529

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	Life Premiums	Death Benefits	Loss Ratio	Accident and Health Premiums	Disability Benefits	Loss Ratio
2019	$19,701,645	$7,827,629	40%	$27,515,247	$6,092,922	22%
2018	$21,314,683	$8,406,951	39%	$25,529,043	$5,363,447	21%
2017	$24,376,327	$7,250,902	30%	$25,732,970	$4,780,773	19%
2016	$24,741,062	$7,472,739	30%	$24,344,821	$4,640,699	19%
2015	$23,999,154	$6,205,523	26%	$22,492,665	$4,381,490	19%

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 Statement of Statutory Accounting Principles (SSAP) No. 61R – Life, Deposit-Type and Accident and Health Reinsurance, and NAIC guidelines.

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

Assumed Reinsurance

Plateau Casualty Insurance Company (PCIC)

The Company assumes one hundred percent (100%) of each death, disability, and accidental death and dismemberment risks covered under a debt protection (cancellation) program from PCIC, effective January 1, 2014. All other risks covered by the Contractual Liability Insurance Policy (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, PCIC issues a CLIP to the financial institution. The treaty allows the life risk to be transferred to PIC, whereby, PIC can then retrocede some of the risk to Munich American Reassurance Company (MARC). MARC cannot assume business from a property and casualty company directly, making it necessary to cede the risk to PIC so that some of the risk can be retroceded to MARC.

Guarantee Trust Life Insurance Company (GTL)

Effective September 1, 2011, under a one hundred percent (100%) coinsurance arrangement, PIC acquired the liabilities of GTL covering all policies of credit life and credit accident and health insurance written after that date. Through this transaction, PIC gained access to the credit life and credit disability insurance written by approximately six hundred (600) producers. In the early years of the treaty, for example, PIC assumed premium from this transaction of approximately $4,100,000 and $8,700,000 in 2014 and 2013, respectively. The decrease between years is the result of PIC converting a significant portion of the former GTL customers to PIC direct premium. During the ensuing years, PIC worked to convert premium produced from GTL policies to PIC policies. The assumed premium for years 2019 and 2018 was ($105,859) and ($118,714) respectively. These negative premium numbers were primarily the result of cancellation of certificates of insurance and conversion of producers to PIC policies. PIC no longer assumes new premium through this reinsurance agreement.

Individual Assurance Company (IAC)

Under an agreement effective September 30, 2012, PIC assumed the credit insurance business of IAC on a one hundred percent (100%) indemnity basis. Unlike the GTL transaction, where PIC only assumed business on a going-forward basis, this acquisition involved the assumption of all in-force business. As with GTL producers, PIC began to convert premium produced by IAC producers to PIC policies. PIC still assumes premium from IAC, $1,459,477 in 2019 and $1,595,446 in 2018. This premium is primarily monthly outstanding balance (MOB) premium on group mortgage policies.

Ceded Reinsurance

The Company also retrocedes smaller portions of the above described business back to the originating party, as per the original contract requirements. Applicable retrocessions are briefly described below:

Guarantee Trust Life Insurance Company (GTL)

PIC retroceded back to GTL certain liabilities that PIC originally assumed from GTL effective September 1, 2011, as discussed above, in order for GTL to meet its continuing obligation to certain reinsurers of GTL under agreements existing at the date the business was acquired. There continues to be a small amount of premium retroceded to GTL on policies still in force, primarily accident and health premium ceded on an earned basis.

Individual Assurance Company (IAC)

The Company retrocedes back to IAC liabilities arising under certain IAC policies/certificates of credit life and credit accident and health insurance in-force prior to the September 30, 2012, assumption agreement discussed above, and policies issued on IAC policies and effective after September 29, 2012, to the extent necessary to enable IAC to meet its obligations under agreements existing at the date the business was originally acquired.

Munich American Reassurance Company (MARC): Credit Insurance

Pursuant to an agreement initially effective January 1, 1995, for its credit life and accidental death risks, PIC typically retains $40,000 per insured life and cedes the excess to MARC. The agreement has been amended several times for minor coverage related details. In instances where a PORC retains a per-life risk, the threshold is increased to cover the risk retained by a PORC plus PIC's retention of $40,000, the excess above this combined threshold is ceded to MARC.

In addition, the treaty provides for reinsurance on accident and health monthly payment risks above $1,000 per month, (PIC retention). This would be on a similar basis as the life risk. A PORC which assumes accident and health risk would take, for example, $250 per monthly payment, PIC retains the next $1,000, with the excess being ceded to MARC.

Munich American Reassurance Company: Debt Protection

A reinsurance treaty between IAC and MARC regarding debt protection risk, originally effective April 1, 2010, was novated effective October 1, 2013, replacing IAC with PIC. Under this treaty, PIC retains fifty percent (50%) of the first $50,000 of all-cause death protection along with twenty percent (20%) of the first $50,000 of accidental death protection. The issue limits per loan are $100,000 for all-cause death and $250,000 for accidental death. MARC assumes all remaining risk; therefore, MARC assumes up to $75,000 for all-cause death and up to $240,000 for accidental death.

Plateau Reinsurance Company (PRC)

PIC maintains an arrangement whereby it cedes one hundred percent (100%) of its accident and health exposure that is not ceded to a PORC or MARC on a written basis to an affiliate, Plateau Reinsurance Company (PRC), a Tennessee domiciled captive. Business is ceded to PRC on a written basis, and subsequently business ultimately ceded to a PORC on an earned basis or subject to a retrocession agreement based on experience, is retroceded back to PIC on an earned basis. Business not subject to a reinsurance treaty with a PORC or a producer retrocession is retained by PRC. In the year 2019, this arrangement involves cessions of premium and contract reserves totaling approximately $11,121,000 and $11,846,000, respectively, and the retrocession (assumption to PIC) of premiums and contract reserves totaling approximately $8,221,316 and $0, respectively.

In November 2015, PIC entered into a life reinsurance agreement with PRC to include credit life business with one particular producer. This credit life business is retained by

PRC and is not subject to a retrocession agreement. In 2017, the Company terminated its agent agreement with the producer, and the business is in runoff. The reserve credit taken in 2019 declined just over $1,000,000 from 2018.

<u>Producer Owned Reinsurance Companies (PORCs)</u>

A significant component of Plateau's operations involves the organization and management of numerous PORCs, which are owned by individual credit producers. Plateau provides a comprehensive array of management services to the individual PORCs, including an officer of the Company is generally named as Treasurer of the PORC, primarily for the purpose of managing the collateral required to obtain credit for unauthorized reinsurance.

For credit life risks, PIC and/or the individual PORC will typically retain the first $55,000 of risk and cede the excess to MARC via a reinsurance contract described above. In most cases, a PORC will assume the first $15,000 of a credit life policy, PIC will take the next $40,000, and the rest will be ceded to MARC. If there is no PORC included, then the excess above $40,000 is ceded directly to MARC.

Most transactions involving accident and health business are initially ceded to the captive company, PRC, on a written basis. Business which is contracted to be ceded to a PORC on an earned basis, is retroceded back to PIC as it is earned. If a PORC assumes accident and health business on a written basis, the proportionate amount of premium is ceded directly to the PORC with the remainder being ceded to PRC. In general, whether assuming business on a written or earned basis will limit the PORC's monthly payment risk. The prevailing monthly risk amount is $250 per month, however, some PORCs may choose a higher risk amount. Any premium not ceded or intended to be ceded to a PORC will be ceded to PRC at a maximum retained risk of $1,000 per month. Any premium on risk in excess of $1,000 plus the PORC retention is ceded to MARC.

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. 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) agent. 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 for life contracts 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 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.

The Company repaid its $4,500,000 surplus note in full to PGI on September 30, 2020. The Department approved the payment on September 25, 2020.

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	$19,473,452		$19,473,452
Preferred stocks	300,000		300,000
Common stocks	392,032		392,032
Properties occupied by the company	158,918		158,918
Cash and short-term investments	5,953,492		5,953,492
Other invested assets	115,000		115,000
Investment income due and accrued	103,137		103,137
Uncollected premiums and agent's balances	1,439,624		1,439,624
Amounts recoverable from reinsurers	1,109,346		1,109,346
Net deferred tax asset	916,764	$580,447	336,317
Guaranty funds receivable or on deposit	155,597		155,597
Electronic data processing equipment and software	112,610		112,610
Furniture and equipment	1,856	1,856	0
Aggregate write-ins for other than invested assets:			
Accounts receivable	42		42
Prepaid items	100,033	100,033	0
Intangible assets	1,478,528	1,478,528	0
Interest maintenance reserve	1,639	1,639	0
Totals	$31,812,071	$2,162,503	$29,649,568

LIABILITIES, SURPLUS, AND OTHER FUNDS

Aggregate reserve for life contracts		$6,316,873
Aggregate reserve for accident and health contracts		994,255
Contract claims:		
Life		758,306
Accident and health		304,872
Commissions to agents due or accrued		158,266
General expenses due or accrued		136,754
Taxes, licenses and fees due or accrued		360,154
Current federal and foreign income taxes		75,066
Asset valuation reserve		96,847
Reinsurance in unauthorized companies		166,635
Aggregate write-ins for liabilities		
Payable to reinsurers		2,222,005
Contingencies payable		(7,972)
Experience refund commission liability		510,427
Total liabilities		$12,092,488
Common capital stock	$2,500,000	
Surplus notes	1,300,000	
Gross paid in and contributed surplus	1,000,000	
Unassigned funds (surplus)	12,757,080	
Total capital and surplus		17,557,080
Totals		$29,649,568

SUMMARY OF OPERATIONS

Premium and annuity considerations for life and A&H contracts	$18,983,211
Net investment income	1,001,770
Amortization of interest maintenance reserve	1,410
Commissions and expense allowances on reinsurance ceded	18,745,511
Miscellaneous income	104
Total Income	$38,732,006
Death benefits	4,260,949
Disability benefits and benefits under accident and health contracts	1,915,185
Increase in aggregate reserves for life and accident and health contracts	(634,547)
Total Benefits	$5,541,587
Commissions on premiums, annuity considerations and deposit-type contract funds	20,344,328
Commissions and expense allowances on reinsurance assumed	6,017,245
General insurance expenses	3,750,692
Insurance, taxes, licenses and fees	1,137,299
Total Expenses	$36,791,151
Net gain from operations before dividends to policy holders and federal income taxes	1,940,855
Federal and foreign income taxes incurred	434,639
Net Income	$1,506,216

CAPITAL AND SURPLUS ACCOUNT

	2019	2018	2017	2016	2015
Capital and surplus December 31, previous year	$15,377,735	$13,683,384	$11,455,625	$11,009,281	$12,049,065
Net income or (loss)	1,506,216	688,145	612,557	703,983	509,529
Change in net unrealized capital gains or (losses)	(1,954)	14,038	(501)	30,993	(42,689)
Change in net deferred income tax	(58,119)	(115,613)	(3,455)	(43,042)	(160,854)
Change in non-admitted assets	732,266	846,356	630,428	374,559	955,594
Change in liability for reinsurance in unauthorized and certified companies	15,699	273,108	993,167	(618,799)	(604,630)
Change in asset valuation reserve	(14,763)	(11,682)	(4,438)	(1,349)	14,841
Change in surplus notes	0	0	0	0	(1,711,575)
Transfer from unassigned surplus to contributed surplus	0	0	0	0	0
Net change in capital and surplus for the year	2,179,345	1,694,351	2,227,758	446,345	(1,039,784)
Capital and surplus December 31, current year	$17,557,080	$15,377,735	$13,683,384	$11,455,625	$11,009,281

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus	$17,557,080

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 list 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 that the Company always comply with the Instructions for life insurance companies in accordance with Tenn. Code Ann. § 56-1-501(b).

   The Company's Board should 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 Tenn. Code Ann. § 56-6-505(c).

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 Insurance Company of Crossville, Tennessee.

In such manner, it was found that as of December 31, 2019, the Company had admitted assets of $29,649,568 and liabilities, exclusive of capital and surplus, of $12,092,488. Thus, there existed for the additional protection of the policyholders, the amount of $17,557,080 in the form of common capital stock, surplus notes, 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 Steve Mahan, FSA 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 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 22 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 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)

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

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, 2019

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 Insurance Company**

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Plateau 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