EXHIBIT

A

REPORT ON EXAMINATION

of the

PLATEAU INSURANCE COMPANY

2701 North Main Street

Crossville, Tennessee 38555

as of

December 31, 2004

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

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Dept. Of Commerce & Insurance
Company Examinations

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STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
INSURANCE DIVISION
500 JAMES ROBERTSON PARKWAY - 4TH FLOOR
NASHVILLE, TENNESSEE 37243-1135

Crossville, Tennessee
February 14, 2006

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Commissioners:

Pursuant to your instructions and in accordance with the Tennessee Insurance Laws, regulations, and resolutions adopted by the National Association of Insurance Commissioners ("NAIC"), a financial examination and a market conduct review was made of the conditions and affairs of the

PLATEAU INSURANCE COMPANY
CROSSVILLE, TENNESSEE

hereinafter and generally referred to as "Company".

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance ("TDCI") under rules promulgated by the NAIC. It was commenced on May 16, 2005, and was conducted by duly authorized representatives of the TDCI. Due to the Company being licensed in several states, this examination is classified as an Association examination. Therefore, the examination was called for through the NAIC's Examination Tracking System. Notice of intent to participate was not received from any other state. This examination was made simultaneously with the Company's subsidiary, Plateau Casualty Insurance Company ("Plateau Casualty").

The previous examination was made as of December 31, 1999, by TDCI examiners. The report on the examination contained 1 comment that required corrective action by the Company. The Company corrected the problem mentioned in the last report. This is further discussed on page 3 of this report in the section marked "Comments - Previous Examination".

Location of Books and Records:

All of the Company's original books and records are located at their home office in Crossville, Tennessee.

SCOPE OF EXAMINATION

This examination covers the period January 1, 2000, through December 31, 2004, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of examination.

During the course of examination, assets were verified and valued, and liabilities were determined or estimated as of December 31, 2004, in accordance with statutes, rules and procedures of Tennessee, the company's domiciliary state. The examination of the financial condition of the Company was conducted in accordance with guidelines and procedures contained in the *NAIC Financial Condition Examiners Handbook.*

An examination of all assets and liabilities contained in the financial statements of this report was made and individual items were verified. The degree of emphasis necessary for each item was determined by the examiner-in-charge ("EIC") during the planning stage of the examination. Independent actuaries were utilized in the review of the Company's life and accident and health ("A&H") aggregate reserves, and contract claims. In addition, independent reinsurance specialists were utilized in the review of the Company's reinsurance agreements and overall reinsurance program.

A letter of representation certifying that management has disclosed all significant matters and records pertaining to this examination was obtained and has been included in the work papers.

Comments - Previous Examination

The previous examination report as of December 31, 1999, included 1 comment, which the Company corrected during the previous examination:

> *The Company's custodian agreement did not contain all of the necessary safeguards and controls prescribed by the NAIC Financial Condition Examiners Handbook and Tenn. Comp R. & Regs. 0780-1-46-.04. The custodian agreement was replaced during the course of the examination with a new agreement which did contain all of the necessary safeguards and controls.*

The Company is audited annually by an independent accounting firm ("the auditors"). The auditors are part of the audit conducted for the holding company system of which the Company is a member. The auditors' work papers for the year ended 2004 were made available to the examiners during the planning phase of this examination. Work papers of the auditors' substantive testing, auditors' documentation of the Company's procedures, and verification of internal controls were relied upon where sufficient for the purposes of this examination. Copies of these work papers are included in the examination work papers where applicable.

An examination was also made into the following matters:

- Company History
- Growth of Company
- Charter and Bylaws
- Management and Control
- Holding Company System
- Pecuniary Interest of Officers and Directors
- Corporate Records
- Fidelity Bond and Other Insurance
- Employee Benefits and Pension Plans
- Territory and Plan of Operation
- Market Conduct Activities
- Schedule T – Premiums and Annuity Considerations
- Mortality and Loss Experience
- Reinsurance
- Unearned Ceding Commission
- Agreements with Parent, Subsidiaries and Affiliates
- Litigation and Contingent Liabilities
- Statutory Deposits
- Accounts and Records
- Subsequent Events
- Financial Statements

COMPANY HISTORY

The Company was organized under the laws of the State of Tennessee on July 19, 1980. Effective March 23, 1981, the Company was issued a Certificate of Authority by the TDCI to transact the business of Credit Life and Credit A&H insurance.

On December 28, 1983, MRS Life Insurance Company (Arizona-domiciled), Allen-Russell Life Insurance Company (Arizona-domiciled) and Plateau Merger Corporation (Tennessee-domiciled) were merged, with Plateau Merger Corporation being the surviving corporation. Immediately following that merger, the Company merged with and into Plateau Merger Corporation and changed its name back to Plateau Insurance Company.

Effective December 31, 1984, the Company merged with and into Customers Life Insurance Corporation (Arizona-domiciled). Immediately following, Customers Life merged with and into Customers Merger Corporation (Tennessee-domiciled) and changed its name to Plateau Insurance 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.

At December 31, 2004, the Company had authorized capital stock of 10,000 shares of common stock with a par value of $1,200.00 per share, of which 1,250 shares were issued and outstanding for a capital paid up of $1,500,000.00. All outstanding shares of the Company are owned by its parent, The Plateau Group, Inc. ("Plateau Group"), the ultimate controlling party. The Plateau Group is owned by a number of entities, none of which owns more than 10% of the Plateau Group.

The Company's capital structure appears in the 2004 Annual Statement as follows:

Common capital stock	$1,500,000
Gross paid in and contributed surplus	3,529,327
Unassigned funds (surplus)	4,924,357
Total capital and surplus	$9,953,684

On March 1, 2001, the Plateau Group contributed 100% of the common voting stock of Plateau Casualty to the Company. The stock consisted of 1,000 shares at $1,000.00 par value per share. This was contributed at its statutory value of $3,671,593.00. Control of the Company did not change as a result of this transaction as both companies remained subsidiaries of the Plateau Group. The accounting recognition of the transaction was made in accordance with *NAIC Accounting Practices and Procedures Manual,* Statements of Statutory Accounting Principals ("SSAP") No. 46, paragraph 10. Pursuant to Tenn. Code Ann. § 56-3-303 (b)(1), TDCI approval was not required and Tenn. Code Ann. § 56-11-206 was not applicable.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period under examination according to the Company's annual statements as filed with the TDCI:

Year	Admitted Assets	Liabilities	Capital and Surplus	Premiums and Annuity Considerations
2000	$13,515,960	$8,066,673	$5,449,287	$4,692,140
2001	19,275,075	11,030,335	8,244,740	8,173,275
2002	19,340,755	10,239,760	9,100,995	5,175,904
2003	19,959,432	9,884,738	10,074,694	5,015,447
2004	20,579,494	10,625,810	9,953,684	8,592,328

CHARTER AND BYLAWS

The original Charter of the Company was approved by TDCI and filed with the Tennessee Secretary of State on March 3, 1981. The Charter states that the Company will engage in the business of credit life and credit A&H insurance as a Tennessee domiciled for profit life insurance company. On September 30, 1985, the Company restated the Charter which was approved by TDCI and filed with the Tennessee Secretary of State. This restatement increased the par value of the common stock of the Company from $750.00 per share to $1,200.00 per share. On June 10, 1987, the Company amended the Charter which was approved by the TDCI and filed with the Tennessee Secretary of State. This restatement changed the address of the company. On April 24, 1990, the Company again amended the Charter which was approved by the TDCI and filed with the Tennessee Secretary of State. This amendment limits a director's liability to the corporation or its shareholder for monetary damages for breach of fiduciary duty to the fullest extent as permitted by the Tennessee Business Corporation Act. There were no amendments to the Company's Charter during the period covered under this examination.

The Bylaws of the Company in effect at December 31, 2004, are the Company's amended and restated Bylaws that were adopted by the Board of Directors on March 28, 2001 and filed with the TDCI on March 30, 2001. The Bylaws provide for an annual shareholders meeting at which the Board of Directors is elected. Officers are elected by the Board of Directors annually at the first Board of Directors' meeting.

The Bylaws are such as generally found in corporations of this type and contain no unusual provisions. Said Bylaws provide for the regulation of the business itself, as well as the conduct of the affairs of the Company, the Board of Directors and its shareholders.

Dividends to Stockholders

The Company paid 3 ordinary dividends to Plateau Group during the period of examination. The 1st dividend during the examination period was paid on March 21, 2000 in the amount of $800,000.00, the 2nd was paid on March 23, 2001 in the amount of $800,000.00, and the 3rd was paid on March 21, 2003 in the amount of $930,000.00. In accordance with Tenn. Code Ann. § 56-11-205 (e), proper notice of the dividend payments was given to the TDCI on March 14, 2000, March 13, 2001, and February 26, 2003, respectively.

MANAGEMENT AND CONTROL

The Company's Bylaws state that the business and affairs of the corporation shall be managed by the Board of Directors who shall be elected at the annual meeting of the shareholders and serve until the next annual meeting and thereafter, until a successor has been elected. The Company's Bylaws state that the number of directors shall consist of no fewer than 5 nor more than fifteen 15 as set forth from time to time by resolution of the Board of Directors.

The following persons were duly elected as directors by the sole shareholder on May 24, 2004, and were serving as members of the Board of Directors at December 31, 2004:

Name
Fred Stephen Miller
William Dickson Williams
James Thaddeus Cox
Benny Ray McManus
John Griffin Haile
Jerry Lee Taylor

The Bylaws provide that the officers of the corporation shall consist of the Chairman of the Board, President, Executive Vice President, Secretary, Treasurer and such other officers as may be from time to time appointed by the Board of Directors. One person may simultaneously hold more than one office with the exception of the President and Secretary.

The following persons were duly elected as officers by the Board of Directors on June 24, 2004, and were serving as officers of the Company at December 31, 2004:

Name	Title
Fred Stephen Miller	Chairman of the Board
William Dickson Williams	President and Chief Executive Officer
Thomas Lee Williams	Executive Vice President
Euretha Jean Roberts	Senior Vice President and Secretary
William Michael Ramsey	Treasurer and Vice President
David Michael Graham	Senior Vice President

The Board of Directors may create an Executive Committee consisting of 3 or more members of the Board of Directors. The Board of Directors may also create additional committees deemed necessary, so long as each committee includes 2 or more members of the Board of Directors. During the period of examination, the Company's Board of Directors did not create any committees.

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system pursuant to Tenn. Code Ann. § 56-11-201. All outstanding shares of the Company are owned by the Plateau Group. The Plateau Group, a Tennessee Corporation, was incorporated on July 29, 1980, as an insurance holding company in the business of credit life insurance and credit A&H. The Plateau Group is a conglomerate that has both insurance and non-insurance holdings. The Plateau Group also owns 4 reinsurance companies, 1 domiciled in Nevada and the other 3 domiciled in the Turks and Caicos.. This is illustrated in the organizational chart included at the end of this report.

As of December 31, 2004, the capital stock of the Plateau Group was owned by 63 stockholders. The stockholders included individuals, banks, bank holding companies, finance companies, insurance agencies, insurance companies, an investment corporation wholly owned by the President of the Plateau Group and the Plateau Capital Accumulation Plan, an employee benefit plan with self directed investments. The primary function of the Plateau Group is to act as a marketing agent for the Company pursuant to the terms and provisions of a Management Service Agreement. This is further discussed on page 37 of this report in the section marked "Agreements with Parents, Subsidiaries and Affiliates".

Downstream members of the Plateau Group holding company system as reported in Schedule Y of the Company's 2004 Annual Statement included the following:

Plateau Group, Inc. (Holding Company – Tennessee)	Percent %
Insurers and their Subsidiaries	
Plateau Insurance Company - Tennessee	100%
Plateau Casualty Insurance Company - Tennessee	100%
Tennessee Life Insurance Company – Arizona	100%

Reinsurance Companies	
Plateau Reinsurance, LTD – Turks & Caicos	100%
Preferred Reinsurance, LTD – Turks & Caicos	100%
Tennessee Dealers Reinsurance Company, LTD – Turks & Caicos	100%
Plateau Reinsurance Company - Nevada	100%
Non-Insurers	
Plateau Service Company – Tennessee	100%
Athens Insurance Agency – Tennessee	100%

PECUNIARY INTEREST OF OFFICERS AND DIRECTORS

The Company does not have any employees. All services and employees are provided to it from the Plateau Group as part of a Management Service Agreement (*please see* section titled "Agreements with Parent, Subsidiaries and Affiliates"). However, the Plateau Group has established a conflict of interest policy for its employees and the officers and directors of its respective subsidiaries. The policy does not list all specific actions that would be considered conflicts of interest, but states if there is even a hint of conflict such potential conflict should be disclosed to management or a supervisor, and an opinion should be requested immediately.

The policy states an employee may be asked to complete a questionnaire dealing with conflicts of interest once each year. The Plateau Group has never required any of its employees or officers and directors of its respective subsidiary companies to complete any conflict of interest disclosure statements. However, subsequent to the examination as of date, in July 2005, the officers and directors of the Company completed conflict of interest disclosure statements. The examiner reviewed the questionnaires completed by the Company's directors and major officers.

During the examination, one issue was noted as a possible violation of Tenn. Code Ann. § 56-3-103. The possible violation stems from the fact that during the period of examination and as of December 31, 2004, the Company had five (5) directors on its board that were also the Chairmen or the Presidents of banks that produce some of the Company's credit business. Tenn. Code Ann. § 56-3-103 states, in pertinent part, that "[n]o director or other officer of any domestic insurance company organized under the laws of Tennessee,...shall accept, or be the beneficiary of, either directly or remotely, any fee, brokerage, commission, gift, or other consideration for or on account of any loan, deposit, purchase, sale, payment, or exchange made by or in behalf of such company...". It is recommended that the Company take any and all necessary steps to comply with the Tenn. Code Ann. § 56-3-103 at all times.

At present, there are no current violations of Tenn. Code Ann. § 56-3-103 existing in the Company; because in October 2005, the Company removed the five (5) directors associated with the producing banks and replaced them with Plateau Group employees.

CORPORATE RECORDS

The minutes of meetings of the Company's Shareholders and Board of Directors were reviewed for the period under examination. They were found to be well written and appear to properly reflect the acts of the Shareholders and Board of Directors.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured under certain insurance coverages being carried by the Plateau Group. The following is a summary of the various bonds and insurance policies that provided the enumerated coverages to the Company at December 31, 2004:

Type of Coverage	Limits of Liability
1. Fiduciary liability	$ 1,000,000 aggregate $ 15,000 single loss deductible
2. Commercial property (1) 2701 North Main St. Crossville, TN 38555 (2) #4 Kingsboro Dr. Fairfield Glade, TN 38558	$ 2,718,000 building and contents $ 100,000 business income and extra expense $ 150,000 accounts receivable $ 135,000 valuable papers $ 380,000 EDP equipment and software $ 60,000 EDP extra expense
3. Commercial general liability	$ 1,000,000 general aggregate $ 1,000,000 products/completed operations $ 500,000 personal & advertising injury $ 10,000 medical expense
4. Employee benefits liability	$ 1,000,000 each occurrence $ 3,000,000 aggregate
5. Commercial umbrella liability policy	$ 5,000,000 each occurrence and aggregate
6. Business automobile Uninsured motorists	$ 1,000,000 each accident $ 1,000,000 each accident $ 5,000 medical payments
7. Errors and emissions liability	$ 1,000,000 each occurrence and aggregate $ 10,000 single loss deductible
8. Workers compensation liability A. Workers compensation B. Employers liability a. Bodily injury by accident b. Bodily injury by disease c. Bodily injury by disease	 Statutory limit $ 100,000 each accident $ 500,000 policy limit $ 100,000 each employee

The *NAIC Financial Condition Examiners Handbook* suggests a minimum fidelity coverage of not less than $225,000 for a company of this size and premium volume. The Company's coverage exceeds this suggested amount. The bonds and policies affording the aforementioned coverages were inspected and appear to be in-force as of the date of this examination. All of the above policies were issued by companies licensed to transact business in the State of Tennessee or by authorized surplus lines insurers. Similar coverages were in effect as of the date of this examination report.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company receives all management, administrative and general services from the Plateau Group in accordance with the Management Service Agreement. This is further discussed on page 37 of this report in the section marked "Agreements with Parents, Subsidiaries and Affiliates". As of December 31, 2004, the Company had no employees; however, the Plateau Group provides its employees with term life insurance, medical insurance, disability insurance and a 401(k) retirement plan.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2004, and as of the date of this examination report, the Company is licensed to transact business in Alabama, Arizona, Georgia, Kentucky, Louisiana, Mississippi, South Carolina and Tennessee. The Company is currently writing in Alabama, Georgia, Louisiana, Mississippi, and Tennessee. Certificates of Authority issued by the aforementioned states were reviewed and found to be in force at year-end 2004. In addition, premium tax records for applicable states were reviewed and no exceptions were noted.

The Company anticipates applying for admission to be licensed in the state of North Carolina at the conclusion of the examination and the issuance of the examination report.

Plan of Operation

The Company underwrites credit life and credit A&H insurance policies and markets the policies primarily through financial institutions and automobile dealers.

The Company markets 3 basic products: credit life, credit disability, and accidental death & dismemberment. All of these products are marketed through financial institutions, automobile dealers and retail creditors by either marketing representatives of the Plateau Group or independent general agents. Generally, the financial institutions, automobile dealers, and retail creditors offer optional coverage to borrowers for new loans. This coverage is conveyed by insurance certificates issued under the group policy. The majority of the Company's business is conducted in Tennessee.

The Company's projected marketing plan for 2005 is 3 tiered. Tier 1 is to increase business from 3 new sources: Georgia banks, Georgia finance companies, and retail lenders. Tier 2 is to increase business from existing marketing territories through incremental new account growth. Another goal in Tier 2 was accomplished in March 2005 with the hiring of a marketing representative from a competitor. Tier 3 is to increase business from existing accounts through enhanced training of loan officers and better product presentation and disclosure tools.

MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company as of December 31, 2004, in conjunction with this examination. The following items were addressed:

Underwriting and Rating:

All underwriting is performed at the home office. Underwriting guidelines and rates were established using sound business practices and in accordance with Tenn.Code Ann. § 56-7. Coverage is issued through group policies issued to creditors who are also agents of the Company.

Policy Forms and Filings:

All rates and policy forms were reviewed and had received the proper approval from the respective state insurance departments.

A review was also made of the Company's procedures for documenting approval of rates and policy forms filings. After obtaining the necessary approval from the state insurance department, rates and policy forms are filed by plan. The sample reviewed during this examination appears to be complete.

Advertising:

All advertising and sales materials are maintained in the compliance department. Although sales materials are very limited, a sales brochure is utilized by both agents and potential applicants. This brochure explains the benefits, provisions and limitations of the policy.

Policyholder Complaints:

The Company's complaint handling practices were reviewed during the examination. The examiner was provided a list of complaints from the Company's complaint register which contained 8 complaints filed during the period of examination. These 8 complaints were reviewed and it was determined that the Company keeps sufficient records of each complaint received. Additionally, the Company responds to the respective state insurance department in a timely fashion.

Claims Review:

The examination included a review of the Company's claims handling to determine compliance with Tenn. Code Ann. § 56-8-101 et seq.

Sixty policy and claim files were reviewed for proper documentation of policy and claims data and consistency with computerized policy data. This review disclosed that the Company maintains accurate policy and claim file records. Additionally, it was found that the files correspond with the Company's computer data. An additional 80 policy and claim files were reviewed for accuracy and completeness. This review confirmed the prior review concerning the accuracy of the Company's computerized policy and claim data, however it also tested and confirmed the completeness of those records.

In addition to testing the accuracy and completeness of the Company's data, a review was made of the Company's practices pertaining to the handling of claim settlements by sampling open, closed and denied claim files. A review of open claims at December 31, 2004, revealed that the Company appears to be setting reserves on a consistent basis. A review of the closed claims at December 31, 2004, indicated that claims were being paid in accordance with policy provisions and settlements were made promptly upon receipt of proper evidence of the Company's liability. A review of the denied claims at December 31, 2004, indicated proper reasons and sufficient supporting documentation needed to support the denial.

The Company maintains updated written claim procedures, claim training manual, and anti-fraud procedures.

SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS

State	Licensed? (Yes or No)	Life Insurance Premiums	Annuity Considerations	A&H Insurance Premiums
Alabama	YES	$752,511	$0	$431,513
Arizona	YES	0	0	0
Georgia	YES	4,216	0	7,161
Kentucky	YES	0	0	0
Louisiana	YES	349,102	0	188,142
Mississippi	YES	1,764,857	0	1,577,648
South Carolina	YES	0	0	0
Tennessee	YES	8,850,821	0	3,519,890
Total Direct Business		$11,721,507	$0	$5,724,354

MORTALITY AND LOSS EXPERIENCE

Credit Life:

The actual to expected mortality on credit life included in the Company's annual statements filed with the TDCI for the years indicated were as follows:

Year	Net Death Benefits Incurred	Reserves Released by Death	Actual Death Benefits Incurred	Expected Mortality	Mortality Experience Ratio
2000	$1,491,261	$54,532	$1,436,729	$3,300,571	43.53%
2001	1,419,009	45,151	1,373,858	3,243,452	42.36%
2002	1,436,475	42,904	1,393,571	2,975,916	46.83%
2003	1,426,128	44,997	1,381,131	2,717,491	50.82%
2004	1,626,938	38,653	1,588,285	2,754,896	57.65%

Credit A&H:

The ratios of losses incurred to premiums earned on credit A&H business included in the Company's annual statements filed with the TDCI for the years indicated were as follows:

Year	Net Incurred Claims	Net Premiums Earned	Loss Experience Ratio
2000	$22,856	$93,226	24.52%
2001	1,769,107	2,137,052	82.78%
2002	1,177,126	1,953,739	60.25%
2003	1,118,756	1,619,891	69.06%
2004	1,194,494	2,528,310	47.24%
Total All Years	$5,282,339	$8,332,218	63.40%

REINSURANCE AGREEMENTS

The Company has a network of automobile dealers and financial institutions utilized for the delivery of its policies. The Company reinsures a significant portion of its business through producer controlled, unauthorized reinsurance companies. In most of these reinsurance arrangements, 100% of written premium is ceded to the reinsurer. The Company's significant reinsurance agreements are summarized below.

Reinsurance with Affiliates

Plateau Reinsurance Ltd.

The Company has 2 agreements with Plateau Reinsurance Ltd. ("Plateau Re"), an affiliate and an unauthorized reinsurer

1) A 100% coinsurance agreement effective December 1, 1995, whereby the Company cedes 100% of all A&H insurance risks on which the Company is bound to retrocede such risk to a reinsurer. This agreement includes a ceding commission of 7.5% plus premium taxes.

2) A 100% coinsurance agreement effective December 1, 1995, whereby the Company assumes 100% of all A&H insurance risks ceded by the Company to Plateau Re under which the Company is bound to retrocede such cession to a reinsurer. This agreement includes a ceding commission of 9.5% plus premium taxes.

The Company received a letter of credit in the amount of $3,500,000 and pledged securities in the amount of $1,555,000 in association with these agreements.

These agreements are subject to Tenn. Code Ann. § 56-11-206(a)(2)(C), which requires transactions within a holding company system to be reported to the TDCI when, "the reinsurance premium or a change in the insurer's or health maintenance organization's liabilities equals or exceeds 5% of the insurer's surplus as regards to policyholders...." Furthermore, Tenn. Code Ann. § 56-11-206(a)(2) states that transactions within a "holding company system may not be entered into unless the insurer or health maintenance organization has notified the commissioner in writing of its intent to enter into such transactions at least thirty (30) days prior thereto, or such shorter period as the commissioner may permit, and the commissioner has not disapproved it within such period".

The agreements were effective December 1, 1995, and were approved by the TDCI on December 29, 1995. Neither of these agreements was reported 30 days prior to the effective date of the agreement as required by Tenn. Code Ann. § 56-11-206(a)(2)(C). It is recommended that the Company comply completely with Tenn. Code Ann. § 56-11-206(a)(2)(C).

Tennessee Life Insurance Company

The Company has 2 agreements with Tennessee Life Insurance Company, an affiliated, unauthorized reinsurer:

1) Effective Date: December 9, 1986
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000
66-71	$ 2,000

2) Effective Date: December 9, 1986
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

The Company has trust accounts in the amount of $450,000 in association with these agreements.

The Company has been required to report these agreements to the TDCI in accordance with holding company transaction requirements specified in Tenn. Code Ann. § 56-11-206(a)(2)(C), which requires transactions within a holding company system to be reported when "the reinsurance premium or a change in the insurer's or health maintenance organization's liabilities equals or exceeds five percent (5%) of the insurer's surplus as regards policyholders..." Furthermore, in accordance with Tenn. Code Ann. § 56-11-206(a)(2) transactions within a holding company system "may not be entered into unless the insurer or health maintenance organization has notified the commissioner in writing of its intention to enter into such transaction at least thirty (30) days prior thereto, or such shorter period as the commissioner may permit, and the commissioner has not disapproved it within such period."

The agreements were effective December 9, 1986, and were received by the TDCI on August 9, 2004. Neither of these agreements was reported 30 days prior to the effective date of the agreement as required by Tenn. Code Ann. § 56-11-206(a)(2)(C). It is recommended that the Company comply completely with Tenn. Code Ann. § 56-11-206(a)(2)(C).

Preferred Reinsurance, Ltd.

The Company has 2 agreements with Preferred Reinsurance, Ltd., an affiliated, unauthorized reinsurer:

1) Effective Date: December 23, 1994
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission: Up to 15% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000
66-71	$ 2,500

2) Effective Date: December 23, 1994
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission: Up to 15% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has trust accounts in the amount of $400,000 in association with these agreements.

The Company has been required to report these agreements to the TDCI in accordance with holding company transaction requirements specified in Tenn. Code Ann. § 56-11-206(a)(2)(C), which requires transactions within a holding company system to be reported when "the reinsurance premium or a change in the insurer's or health maintenance organization's liabilities equals or exceeds five percent (5%) of the insurer's surplus as regards policyholders..." Furthermore, in accordance with Tenn. Code Ann. § 56-11-206(a)(2) transactions within a holding company system "may not be entered into unless the insurer or health maintenance organization has notified the commissioner in writing of its intention to enter into such transaction at least thirty (30) days prior thereto, or such shorter period as the commissioner may permit, and the commissioner has not disapproved it within such period."

The agreements were effective December 23, 1994, and were received by the TDCI on August 9, 2004. Neither of these agreements was reported 30 days prior to the effective date of the agreement as required by Tenn. Code Ann. § 56-11-206(a)(2)(C). It is recommended that the Company comply completely with Tenn. Code Ann. § 56-11-206(a)(2)(C).

Reinsurance with Non-Affiliates

Associated Life, Ltd.

The Company has an agreement with Associated Life, Ltd., an unauthorized reinsurer:

Effective Date: August 27, 1991
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.25% plus premium taxes

Maximum Ceded Amounts:	Ages	Amount
	Before 66	$15,000

The Company has a trust account in the amount of $125,000 in association with this agreement.

Atwood Reinsurance, Ltd.

The Company has 2 agreements with Atwood Reinsurance, Ltd., an unauthorized reinsurer:

1) Effective Date: June 25, 1997
   Description: A 100% coinsurance agreement for all life insurance risks issued through producers of Farmers & Merchants Bank, Trezevant.
   Ceding Commission: 10% plus premium taxes
   Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: June 25, 1997
   Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers of Farmers & Merchants Bank, Trezevant.
   Ceding Commission: 10% plus premium taxes
   Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $50,000 in association with these agreements.

Benton Life Insurance Company

The Company has an agreement with Benton Life Insurance Company, an unauthorized reinsurer:

Effective Date: November 19, 1997
Description: A 100% coinsurance agreement for all life insurance risks issued through producers of Benton Banking Company of Benton.
Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

The Company has a trust account in the amount of $100,000 in association with this agreement.

BOC Reinsurance Company, Ltd.

The Company has 2 agreements with BOC Reinsurance Company, Ltd., an unauthorized reinsurer:

1) Effective Date: May 15, 2003
   Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
   Ceding Commission: 8.25% plus premium taxes
   Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: May 15, 2003
   Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
   Ceding Commission: 8.25% plus premium taxes
   Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $101,058 in association with these agreements.

Carroll Life Reinsurance, Ltd.

The Company has an agreement with Carroll Life Reinsurance, Ltd., an unauthorized reinsurer:

Effective Date: January 1, 1994
Description: A 100% coinsurance agreement for all life insurance risks issued through producers of Carroll Banking & Trust Company.
Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000
66-70	$ 2,500

The Company has a trust account in the amount of $60,000 in association with this agreement.

CED Reinsurance, Ltd.

The Company has 2 agreements with CED Reinsurance, Ltd., an unauthorized reinsurer:

1) Effective Date: December 23, 1994
   Description: A 100% coinsurance agreement for all life insurance risks issued through producers of Citizens Bank, Bank of Celina, Town & Country Finance, and Smith County Bank.

Ceding Commission:	9% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount
	Before 66 / $15,000
	66-70 / $ 5,000

2) Effective Date: December 23, 1994
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers of Citizens Bank, Bank of Celina, Town & Country Finance, and Smith County Bank.

Ceding Commission:	9% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount
	Before 66 / $ 250

The Company has a trust account in the amount of $100,000 in association with these agreements.

Central Life Insurance Company

The Company has 2 agreements with Central Life Insurance Company, an unauthorized reinsurer:

1) Effective Date: December 20, 1996
Description: A 100% coinsurance agreement for all life insurance risks issued through producers of Heritage Bank.

Ceding Commission:	6.25% to 8.25% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount
	Before 66 / $15,000

2) Effective Date: December 20, 1996
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers of Heritage Bank.

Ceding Commission:	6.25% to 8.25% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount
	Before 66 / $ 250

The Company has a trust account in the amount of $100,000 in association with these agreements.

Citco Life Insurance Company

The Company has 2 agreements with Citco Life Insurance Company, an unauthorized reinsurer:

1) Effective Date: July 15, 1987
Description: A 100% coinsurance agreement for all life insurance risks issued through producers of affiliates of Citco Community Bancshares, Inc.

Ceding Commission:	8% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $30,000

2) Effective Date:	July 15, 1987
Description:	A 100% coinsurance agreement for all A&H insurance risks issued through producers of affiliates of Citco Community Bancshares, Inc.
Ceding Commission:	8% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $ 300

The Company has a trust account in the amount of $355,663 in association with these agreements.

Commerce Reinsurance, Ltd.

The Company has 2 agreements with Commerce Reinsurance, Ltd., an unauthorized reinsurer:

1) Effective Date:	September 3, 2003
Description:	A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission:	10% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $15,000

2) Effective Date:	September 3, 2003
Description:	A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission:	10% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $ 250

The Company has a trust account in the amount of $36,403 in association with these agreements.

Community Choice Reinsurance Company, Ltd.

The Company has 2 agreements with Community Choice Reinsurance Company, Ltd., an unauthorized reinsurer:

1) Effective Date:	November 30, 1998
Description:	A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission:	8.25% plus premium taxes

Maximum Ceded Amounts:	Ages	Amount
	Before 66	$15,000

2) Effective Date: November 30, 1998
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.25% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $200,000 in association with these agreements.

Corlew & Bone Reinsurance Company, Ltd.

The Company has 2 agreements with Corlew & Bone Reinsurance Company, Ltd., an unauthorized reinsurer:

1) Effective Date: December 10, 2003
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.25% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: December 10, 2003
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.25% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $16,393 in association with these agreements.

Cumberland Life Insurance Company

The Company has 2 agreements with Cumberland Life Insurance Company, an unauthorized reinsurer:

1) Effective Date: December 31, 1996
Description: A 100% coinsurance agreement for all life insurance risks issued through producers of Cumberland Bank.
Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: December 31, 1996
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers of Cumberland Bank.
Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $205,000 in association with these agreements.

CWest Reinsurance, Ltd.

The Company has 2 agreements with CWest Reinsurance, Ltd., an unauthorized reinsurer:

1) Effective Date: July 2, 2001
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.75% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: July 2, 2001
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.75% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $200,000 in association with these agreements.

Eagle Insurance Company

The Company has an agreement with Eagle Insurance Company, an unauthorized reinsurer:

Effective Date:	April 1, 1986
Description:	A 100% coinsurance agreement for all life insurance risks issued through producers of Rossville Bank, GA, Rhea County National Bank, Dayton, TN, First Bank Rhea County, Spring City, TN, Peoples Bank, Benton, TN, and Calfee Pontiac, Dalton, GA.
Ceding Commission:	7% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $15,000 66-70 / $ 2,000

The Company has a trust account in the amount of $100,000 in association with this agreement.

Eaton Insurance Company, Ltd.

The Company has 2 agreements with Eaton Insurance Company, Ltd., an unauthorized reinsurer:

1) Effective Date:	April 1, 2001
Description:	A 100% coinsurance agreement for all life insurance risks issued through producers of Royal Dodge.
Ceding Commission:	8.25% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $15,000
2) Effective Date:	April 1, 2001
Description:	A 100% coinsurance agreement for all A&H insurance risks issued through producers of Royal Dodge.
Ceding Commission:	8.25% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $ 250

The Company has a trust account in the amount of $75,000 in association with these agreements.

F&M Reinsurance Company

The Company has an agreement with F&M Reinsurance Company, an unauthorized reinsurer:

Effective Date: July 30, 2003
Description: A 100% coinsurance agreement for all life and A&H insurance risks issued through producers of the affiliates of Southeast Bank & Trust.

Ceding Commission: 7.25% to 10% plus premium taxes
Maximum Ceded Amounts:

Type	Ages	Amount
Life	Before 66	$15,000
A&H	Before 66	$ 250

The Company has a trust account in the amount of $200,000 in association with this agreement.

Farmers Life Insurance Company

The Company has an agreement with Farmers Life Insurance Company, an unauthorized reinsurer:

Effective Date: November 19, 1997
Description: A 100% coinsurance agreement for all life insurance risks issued through producers of Farmers Bank.

Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

The Company has a trust account in the amount of $75,000 in association with this agreement.

FCB Reinsurance Company

The Company has an agreement with FCB Reinsurance Company, an unauthorized reinsurer:

Effective Date: July 30, 2003
Description: A 100% coinsurance agreement for all life and A&H insurance risks issued through producers of the affiliates of Southeast Bank & Trust.

Ceding Commission: 7.25% to 10% plus premium taxes
Maximum Ceded Amounts:

Type	Ages	Amount
Life	Before 66	$15,000
A&H	Before 66	$ 250

The Company has a trust account in the amount of $110,000 in association with this agreement.

First Life Company, Ltd.

The Company has 2 agreements with First Life Company, Ltd., an unauthorized reinsurer:

1) Effective Date: September 9, 1991
Description: A 100% coinsurance agreement for all life insurance risks issued through producers of First Bank of Lexington, Bank of Adamsville, and Parsons Ford.
Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: September 9, 1991
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers of First Bank of Lexington, Bank of Adamsville, and Parsons Ford.
Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $450,000 in association with these agreements.

First Pulaski Reinsurance Company

The Company has an agreement with First Pulaski Reinsurance Company, an unauthorized reinsurer:

Effective Date: July 30, 2003
Description: A 100% coinsurance agreement for all life and A&H insurance risks issued through producers of the affiliates of Southeast Bank & Trust.
Ceding Commission: 7.25% to 10% plus premium taxes
Maximum Ceded Amounts:

Type	Ages	Amount
Life	Before 66	$15,000
A&H	Before 66	$ 250

The Company has a trust account in the amount of $203,042 in association with this agreement.

Frontier Reinsurance, Inc.

The Company has an agreement with Frontier Reinsurance, Inc., an unauthorized reinsurer:

Effective Date: July 30, 2003
Description: A 100% coinsurance agreement for all life and A&H insurance risks issued through producers of the affiliates of Southeast Bank & Trust.
Ceding Commission: 7.25% to 10% plus premium taxes
Maximum Ceded Amounts:

Type	Ages	Amount
Life	Before 66	$15,000
A&H	Before 66	$ 250

The Company has a trust account in the amount of $100,357 in association with this agreement.

Galena Reinsurance Company, Ltd.

The Company has 2 agreements with Galena Reinsurance Company, Ltd., an unauthorized reinsurer:

1) Effective Date: October 1, 2003
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the Reinsurer.
Ceding Commission: 8% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 71	$50,000

2) Effective Date: October 1, 2003
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the Reinsurer.
Ceding Commission: 8% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 71	$ 1,000

The Company has a trust account in the amount of $360,000 in association with these agreements.

Gateway Reinsurance, Ltd.

The Company has 2 agreements with Gateway Reinsurance, Ltd., an unauthorized reinsurer:

1) Effective Date: February 20, 2001
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the Reinsurer.
Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: February 20, 2001

Description:	A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the Reinsurer.
Ceding Commission:	10% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $ 250

The Company has a trust account in the amount of $36,722 in association with these agreements.

Hamblen Life Insurance, Ltd.

The Company has 2 agreements with Hamblen Life Insurance, Ltd., an unauthorized reinsurer:

1) Effective Date:	September 13, 1995
Description:	A 100% coinsurance agreement for all life insurance risks issued through producers of Rusty Wallace Pontiac-Cadillac-GMC-Mazda, Inc. and Rusty Wallace Toyota.
Ceding Commission:	8.25% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $15,000

2) Effective Date:	September 13, 1995
Description:	A 100% coinsurance agreement for all A&H insurance risks issued through producers of Rusty Wallace Pontiac-Cadillac-GMC-Mazda, Inc. and Rusty Wallace Toyota.
Ceding Commission:	8.25% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $ 250

The Company has a trust account in the amount of $228,613 in association with these agreements.

Hardin County Life Insurance Company

The Company has an agreement with Hardin County Life Insurance Company, an unauthorized reinsurer:

Effective Date:	December 16, 1998
Description:	A 100% coinsurance agreement for all life insurance risks issued through producers of Hardin County Bank.
Ceding Commission:	10% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $15,000

The Company has a trust account in the amount of $100,000 in association with this agreement.

Hillendale Reinsurance, Ltd.

The Company has 2 agreements with Hillendale Reinsurance Insurance, Ltd., an unauthorized reinsurer:

1) Effective Date: August 13, 2004
   Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the Reinsurer.
   Ceding Commission: 10% plus premium taxes
   Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: August 13, 2004
   Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the Reinsurer.
   Ceding Commission: 10% plus premium taxes
   Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $50,000 in association with these agreements.

Horsepower Reinsurance, Ltd.

The Company has an agreement with Horsepower Reinsurance, Ltd., an unauthorized reinsurer:

Effective Date: August 1, 2002
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.75% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

The Company has a trust account in the amount of $23,074 in association with this agreement.

J Roberts Reinsurance, Ltd.

The Company has 2 agreements with J Roberts Reinsurance Insurance, Ltd., an unauthorized reinsurer:

1) Effective Date: August 23, 2004
   Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
   Ceding Commission: 10% plus premium taxes

Maximum Ceded Amounts:	Ages	Amount
	Before 66	$15,000

2) Effective Date: August 23, 2004
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 10% plus premium taxes

Maximum Ceded Amounts:	Ages	Amount
	Before 66	$ 250

The Company has a trust account in the amount of $128,169 in association with these agreements.

JDF Reinsurance, Ltd.

The Company has 2 agreements with JDF Reinsurance Insurance, Ltd., an unauthorized reinsurer:

1) Effective Date: November 19, 2001
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.25% plus premium taxes

Maximum Ceded Amounts:	Ages	Amount
	Before 66	$15,000

2) Effective Date: November 19, 2001
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.25% plus premium taxes

Maximum Ceded Amounts:	Ages	Amount
	Before 66	$ 250

The Company has a trust account in the amount of $128,169 in association with these agreements.

Jenkins Reinsurance, Ltd.

The Company has an agreement with Jenkins Reinsurance, Ltd., an unauthorized reinsurer:

Effective Date: December 31, 1996
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.75% plus premium taxes

Maximum Ceded Amounts:	Ages	Amount
	Before 66	$15,000

The Company has a trust account in the amount of $426,965 in association with this agreement.

Johnson Reinsurance, Ltd.

The Company has an agreement with Johnson Reinsurance, Ltd., an unauthorized reinsurer:

Effective Date:	August 9, 1994
Description:	A 100% coinsurance agreement for all life insurance risks issued through producers of Citizens Bank, Bank of Celina, Town & County Finance, and Smith County Bank.
Ceding Commission:	9% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $20,000 66-69 / $ 5,000

The Company has a trust account in the amount of $186,650 in association with this agreement.

Mathews & Vines Reinsurance, Ltd.

The Company has 2 agreements with Mathews & Vines Reinsurance, Ltd., an unauthorized reinsurer:

1) Effective Date:	December 22, 2003
Description:	A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission:	8% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $35,000
2) Effective Date:	December 22, 2003
Description:	A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission:	8% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $ 300

The Company has a trust account in the amount of $350,000 in association with these agreements.

Mathews Life Insurance Company, Ltd.

The Company has 2 agreements with Mathews Life Insurance Company, Ltd., an unauthorized reinsurer:

1) Effective Date: May 1, 2001
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$25,000

2) Effective Date: May 1, 2001
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $503,042 in association with these agreements.

Mid-Tenn Reinsurance, Ltd.

The Company has 2 agreements with Mid-Tenn Reinsurance, Ltd., an unauthorized reinsurer:

1) Effective Date: December 23, 1994
Description: A 100% coinsurance agreement for all life insurance risks issued through producers of Wilson County Motors and Brandon Toyota, Inc.
Ceding Commission: 8.25% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$20,000

2) Effective Date: December 23, 1994
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers of Wilson County Motors and Brandon Toyota, Inc.
Ceding Commission: 8.25% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $175,000 in association with these agreements.

MLOS Reinsurance, Ltd.

The Company has 2 agreements with MLOS Reinsurance, Ltd., an unauthorized reinsurer:

1) Effective Date: August 4, 2000
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.25% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: August 4, 2000
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.25% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $248,986 in association with these agreements.

Munich American Reassurance Company

The Company has an agreement with Munich American Reassurance Company., an authorized reinsurer:

Effective Date: January 1, 1995
Description: A 100% coinsurance agreement for all single premium credit life and credit accident & health issued by Plateau.
Ceding Commission: 45%
Maximum Ceded Amounts: When a producer owned reinsurance company assumes risk:

Type	Amount
Life	$40,000
A&H	$ 650

When a producer owned reinsurance company does not assume risk:

Type	Amount
Life	$50,000
A&H	$ 500

New Magnolia Life Reinsurance, Ltd.

The Company has 2 agreements with New Magnolia Life Reinsurance, Ltd., an unauthorized reinsurer:

1) Effective Date: March 31, 2000
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.

Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 71	$15,000

2) Effective Date: March 31, 2000
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.

Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 71	$ 250

The Company has a trust account in the amount of $127,000 in association with these agreements.

Overton Life Insurance Company

The Company has 2 agreements with Overton Life Insurance Company, an unauthorized reinsurer:

1) Effective Date: May 10, 1999
Description: A 100% coinsurance agreement for all life insurance risks issued through producers of Union Bank and Trust of Livingston , Tennessee.

Ceding Commission: 8.25% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: May 10, 1999
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers of Union Bank and Trust of Livingston , Tennessee.

Ceding Commission: 8.25% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $363,731 in association with these agreements.

S&W Life Reinsurance, Ltd.

The Company has an agreement with S&W Life Reinsurance, Ltd., an unauthorized reinsurer:

Effective Date:	September 13, 1995
Description:	A 100% coinsurance agreement for all life insurance risks issued through producers of Reeder Chevrolet Company.
Ceding Commission:	8.25% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $15,000

The Company has a trust account in the amount of $100,000 in association with this agreement.

Sequatchie Life Insurance Company

The Company has 2 agreements with Sequatchie Life Insurance Company, an unauthorized reinsurer:

1) Effective Date:	March 10, 1997
Description:	A 100% coinsurance agreement for all life insurance risks issued through producers of Citizens Tri-County Bank.
Ceding Commission:	6.25% to 8.25% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $15,000
2) Effective Date:	March 10, 1997
Description:	A 100% coinsurance agreement for all A&H insurance risks issued through producers of Citizens Tri-County Bank.
Ceding Commission:	6.25% to 8.25% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $ 250

The Company has a trust account in the amount of $911,604 in association with these agreements.

Sylvan Hill Insurance Company, Ltd.

The Company has 2 agreements with Sylvan Hill Insurance Company, Ltd., an unauthorized reinsurer:

1) Effective Date:	September 1, 2003
Description:	A 100% coinsurance agreement for all life insurance risks issued through producers of Citizens Tri-County Bank.
Ceding Commission:	6.25% to 8.25% plus premium taxes
Maximum Ceded Amounts:	Ages / Amount Before 66 / $15,000

2) Effective Date: August 1, 2003
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers of Citizens Tri-County Bank.
Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 350

The Company has a trust account in the amount of $20,374 in association with these agreements.

Tennessee Valley Reinsurance, Ltd.

The Company has 2 agreements with Tennessee Valley Reinsurance, Ltd., an unauthorized reinsurer:

1) Effective Date: October 2, 2001
Description: A 100% coinsurance agreement for all life insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.25% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: October 2, 2001
Description: A 100% coinsurance agreement for all A&H insurance risks issued through producers specified by the reinsurer.
Ceding Commission: 8.25% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $50,000 in association with these agreements.

Wayneco Reinsurance, Ltd.

The Company has 2 agreements with Wayneco Reinsurance, Ltd., an unauthorized reinsurer:

1) Effective Date: June 16, 1998
Description: A 100% coinsurance agreement for all life insurance risks issued through producers of Wayne County Bank.
Ceding Commission: 10% plus premium taxes
Maximum Ceded Amounts:

Ages	Amount
Before 66	$15,000

2) Effective Date: June 16, 1998
Description: A 100% coinsurance agreement for all A&H insurance risks

issued through producers of Wayne County Bank.

Ceding Commission: 10% plus premium taxes

Maximum Ceded Amounts:

Ages	Amount
Before 66	$ 250

The Company has a trust account in the amount of $164,909 in association with these agreements.

Trust Agreements:

All unauthorized reinsurers have executed trust agreements with the Company and report amounts held under these agreements to secure the Company's reinsurance recoverables and reserve credits at December 31, 2004.

Unearned Ceding Commission:

Primarily all of the Company's reinsurance agreements cede premiums on a written basis, and therefore, in the event of termination, the Company would be obligated to return any unearned ceding commissions to the reinsurers. However, all of the agreements provide that in the event of termination, the reinsurance continues to apply to all policies in force until their expiry or cancellation in the normal course of business. No return of premium or ceding commission would be required at the termination of an agreement because the policies continue in full force. The majority of the Company's reinsurance agreements provide that ceding commissions be paid based on net premiums; that is, on written premiums less the return premiums on policies that are cancelled by policyholders prior to the end of the policy period. The agreements provide for monthly settlements, including any return premiums and any associated ceding commissions, by offset. Therefore, the Company is deemed to have no ultimate liability for unearned ceding commissions.

SSAP No. 61 states if the reinsurance agreements contain "a persistency guarantee which provides for return of the excess commission, the ceding entity must record the excess commission as a liability." The Company's reinsurance agreements contain no such persistency guarantees.

Other Considerations:

All of 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 also appear to effectuate proper transfer of risk in accordance with SSAP No. 61 and NAIC guidelines.

However, it was noted that the effective dates for some agreements reported in the 2004 Annual Statement are incorrect. The Company's attention is directed to the Annual Statement Instructions, page 273, which states that the "effective date as used in this schedule (Schedule S) is the date the contract originally went into effect". Furthermore, Tenn. Code Ann. § 56-1-501(b) requires that an annual statement "shall be completed and filed in accordance with annual statement instructions

established by the commissioner." Tenn. Code Ann. § 56-44-102 requires that this same statement be filed with the NAIC. It is recommended that the Company comply completely with Tenn. Code Ann. § 56-1-501(b) and 56-44-102.

AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

The Company had 2 agreements with affiliated companies in effect as of December 31, 2004. The following are summaries of the agreements:

Marketing and Management Service Agreement with Plateau Group:

Effective January 4, 1995, the Company entered into an Amended Marketing and Management Service Agreement with the Plateau Group. According to the terms and provisions of the Agreement, Plateau Group agrees to provide the Company with certain administrative services for its internal operations and processing its insurance business. Such services include general administration, acquisition of new business, employment and termination of insurance agents, training of agents, controlling activities of agents, establishing field underwriting guidelines, investments and relations with regulatory authorities.

The Company has no employees of its own. All services necessary to the Company's business are provided by the Plateau Group pursuant to the Agreement. The compensation paid by the Company to the Plateau Group is equal to 5% of direct written premium. Transactions under the Agreement for Services were reviewed for compliance with the Agreement and charges appear to be commensurate with services rendered.

The Company filed this Agreement for approval by the Commissioner as required by Tenn. Code Ann. § 56-11-206 (2)(A) and the agreement was approved by TDCI on December 29, 1994.

The Company amended this agreement during the period of examination. According to the provisions of the amendment dated November 16, 2004, and made effective December 31, 2003, the 2 parties agreed to change the compensation paid by the Company to the Plateau Group for services rendered from 7.5% to 5% of the net written premium accepted by the Company. The Company filed this Amendment to the Agreement for approval by the Commissioner as required by Tenn. Code Ann. § 56-11-206 (2)(A) and the agreement was approved by TDCI on December 16, 2004.

Tax Allocation Agreement with Plateau Group:

Effective January 1, 1990, the Company entered into a Tax Allocation Agreement with the Plateau Group. The Agreement states the Company has elected through the provisions of the Internal Revenue Code to be included in the Plateau Group's life-non-life consolidated tax return.

The Company agrees to pay federal income taxes each year equivalent to the amount the Company would have paid if it were on a separate return basis without the benefit of exemptions under Internal Revenue Code (IRC) 11(b) and IRC 55(d). However, no taxes shall be payable if the consolidated group reports no tax liability. The Company further agrees to allow the Plateau Group to use and allocate any applicable surtax exemptions under IRC 11(b) and alternative minimum tax exemptions under IRC 55(d) without further consent. Transactions under the Tax Allocation Agreement were reviewed for compliance with the Contract with no exceptions.

This agreement has been disclosed by the Company in its Holding Company Registration Statement in each year for the period under review.

LITIGATION AND CONTINGENT LIABILITIES

Based on the data made available during the examination, it appears that the only pending legal matters in which the company was involved during the examination period were those relating to settlement of claims. The only exception was the Refund Litigation lawsuit that is described below.

Refund Litigation

Subsequent to the examination date, in January 2005, the Company received notice of a lawsuit filed in the Circuit Court of Cumberland County, Tennessee, on December 21, 2004. The lawsuit alleges that the Company has not paid refunds to policyholders on certain loans made through auto dealerships that have been prepaid. The plaintiff, who did not receive a refund after his loan was prepaid, filed this suit as a class action complaint on behalf of himself and all others similarly situated.

The non-payment of refunds sometimes occurs through auto dealerships due to a disconnect between the agent (auto dealer) and third party creditor (Bank, GMAC, etc.). Some third party creditors notify the auto dealer and the Company of loan prepayments, while others do not. Therefore, the Company has no knowledge of prepaid loans made through auto dealerships unless they are notified by the policyholder.

The plaintiff in the case alleges that it is the Company's responsibility to know when loans are prepaid and to send refunds accordingly. The Company states that it is the policyholder's responsibility to notify the Company of a loan being prepaid and to request a refund.

The judge ordered the Company and the plaintiff to enter settlement discussions in front of another circuit court judge in an attempt to settle the matter without going to trial. Both parties entered into a Class Action Settlement Agreement dated November 17, 2005, but has not yet received court approval. The Settlement Agreement defines the class members and sets the rules on how the parties will determine the amount of the settlement fund. Based on policy information provided by the

Company, the 2 parties have agreed to have Equifax, a third party credit reporting agency, determine the names, current address and date of prepayment or termination for those insureds that prepaid or otherwise terminated their loan prior to the expiration of the certificate.

The Settlement Agreement also states the settlement fund cap. The Company's payment obligations under the settlement fund will not exceed $2,500,000. If refund requests exceed this amount, the Company reserves the right to withdraw from the settlement but may waive this right. The Company believes that it will recover more than 85% of any refunds that it pays from agent commission chargebacks and reinsurance. Also, the Settlement Agreement calls for the attorneys for the plaintiff to be paid from the settlement fund. Therefore, the Company believes that the maximum cost of the lawsuit will be $375,000.

The Company believes that they were notified of a refund due by a majority of the policyholders that fall in this class and believe that they do not have a significant liability in this case. However, the Company has estimated a liability of $215,000 for this lawsuit and will accrue this amount in the 4th quarter of 2005.

Except for this Refund Litigation lawsuit, the Company apparently had no other agreements or pending matters of contingent nature that would materially affect its financial position or operating results at December 31, 2004.

Inquiries were made to the states in which the Company is licensed to determine if any regulatory action had been taken against the Company or its representatives during the period under review. No regulatory actions were taken.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the named jurisdictions or custodians as of December 31, 2004.

The following are deposits with states where special deposits are **not** for the benefit of all policyholders, claimants, and creditors of the Company:

Jurisdiction	Description of Security	Par Value	Book Value	Market Value
Georgia - Department of Insurance	US Treasury Note 3.000%, Due 11-15-07 Cusip # 912828-AN-0	$35,000	$34,989	$34,913
Sub-Total		$35,000	$34,989	$34,913

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

Jurisdiction	Description of Security	Par Value	Book Value	Market Value
South Carolina - Department. of Insurance	FHLMC 3.450%, Due 12-28-07 Cusip # 3128X2-JR-7	$150,000	$150,000	$149,762
Tennessee - Department. of Insurance	FHLMC 4.000%, Due 08-19-08 Cusip # 3128X1-YZ-4	300,000	300,000	301,182
Tennessee - Department. of Insurance	FHLB 3.750%, Due 08-12-08 Cusip # 3133X0-DZ-9	400,000	399,204	399,935
Tennessee - Department. of Insurance	FHLB 4.000%, Due 02-26-09 Cusip # 3133X4-6C-0	200,000	200,000	199,936
Tennessee - Department. of Insurance	FHLB 3.750%, Due 11-17-09 Cusip # 3133X9-BN-9	300.000	297.597	297.125
Sub-Total		1.350.000	1.346.801	1.347.940
Grand-Total		$1.385.000	$1.381.790	$1.382.853

Deposits with said jurisdictions or custodians were verified by direct correspondence with the custodian of such deposit.

ACCOUNTS AND RECORDS

Tenn. Comp R. & Regs. 0780-1-65.07 (3) states that no partner or other person responsible for rendering a report by a certified public accounting firm may act in that capacity for more than 7 consecutive years. The Company is in compliance with this regulation as they changed accounting firms in 2000 to Crowe Chizek and Company LLC as their public accountants.

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to establish values for assets and liabilities appearing in the Company's financial statements. Test checks, for selected periods, were made of premium receipts, investment income, interest due and accrued, claim payments, and other disbursements. 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 and sample tested for correctness. These test checks and reviews revealed no material discrepancies.

SUBSEQUENT EVENTS

As of December 31, 2004, the Company had 1 bond and several common stocks held at Salmon Smith Barney without a custodian agreement that complies with Tenn. Comp R. & Regs. 0780-1-46-.04 or guidelines set in the *NAIC Financial Condition Examiners Handbook* for custodian agreements. Due to this non-compliance, the bond, common stocks and their corresponding accrued interest and dividends were non-admitted for this examination. The Company was advised to move these securities to an acceptable custodian immediately. It is recommended that in the future the Company hold their securities with a custodian under a proper custodian agreement that complies with Tenn. Comp R. & Regs. 0780-1-46-.04 and the guidelines set in the *NAIC Financial Condition Examiners Handbook.*

In May 2005, the Company complied with the TDCI's request to move these securities to a proper custodian bank where they have in place a proper custodian agreement that complies with Tenn. Comp R. & Regs. 0780-1-46-.04 and the guidelines set in the *NAIC Financial Condition Examiners Handbook.*

Financial Statement

There follows a statement of assets, liabilities and a summary of operations as of December 31, 2004, together with a reconciliation of capital and surplus for the period under review, as established by this examination.

Assets

	Ledger Assets	Non-Ledger Assets	Non-Admitted Assets	Net-Admitted Assets
Bonds	$9,961,633		$600,000	$9,361,633
Stocks:				
Preferred stocks	500,000			500,000
Common stocks	5,321,527		1,366,327	3,955,200
Real estate	226,070			226,070
Cash and short-term investments	3,571,935			3,571,935
Other invested assets	54,669		21,951	32,718
Investment income due and accrued	116,452		583	115,869
Amounts recoverable from reinsurers	318,149			318,149
Net deferred tax asset	146,043			146,043
Guaranty funds receivable or on deposit	164,674			164,674
Electronic data processing equipment and software	89,521			89,521
Aggregate write-ins for other than invested assets	108,821			108,821
Totals	$20,579,494	$0	$1,988,861	$18,590,633

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts		$4,763,821
Aggregate reserve for accident and health contracts		3,538,616
Contract claims:		
Life		239,712
Accident and health		148,896
Contract liabilities not included elsewhere:		
Interest Maintenance Reserve (IMR)		1,116
Commissions to agents due or accrued		21,641
General expenses due and accrued		91,971
Taxes, licenses and fees due or accrued		63,678
Current federal and foreign income taxes		28,165
Remittances and items not allocated		155,426
Miscellaneous liabilities:		
Asset valuation reserve		565,474
Aggregate write-ins for liabilities:		
Payables to reinsurers		920,966
Unclaimed property		86,328
Total Liabilities		$10,625,810
Common capital stock	$1,500,000	
Gross paid in and contributed surplus	3,529,327	
Unassigned funds (surplus)	2,935,496	
Total Capital and Surplus		7,964,823
Totals		$18,590,633

Summary of Operations

Premiums and annuity considerations for life and A&H contracts	$8,592,328	
Net investment income	493,348	
Amortization of Interest Maintenance Reserve (IMR)	3,869	
Commissions and expense allowances on reinsurance ceded	5,072,912	
Aggregate write-ins for miscellaneous income	4,880	
Total Income		$14,167,337
Death benefits	$1,626,938	
Disability benefits and benefits under A&H contracts	1,217,315	
Increase in aggregate reserves for life and A&H contracts	726,183	
Total Benefits		3,570,436
Commissions on premiums, annuity considerations and deposit - type contract funds	$7,504,460	
Commissions and expense allowances on reinsurance assumed	1,215,167	
General insurance expenses	1,236,899	
Insurance taxes, licenses and fees, excluding federal income taxes	380,061	
Total Expenses		10,336,587
Total Benefits and Expenses		$13,907,023
Net gain from operations before dividends to policyholders and federal income taxes		260,314
Dividends to policyholders		0
Net gain from operations after dividends to policyholders and before federal income taxes		260,314
Federal and foreign income taxes incurred		65,392
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)		194,922
Net realized capital gains or (losses) less capital gains tax (excluding taxes transferred to the IMR)		3,679
Net Income		$198,601

Capital and Surplus Account

	2000	2001	2002	2003	2004
Total Capital and Surplus December 31, previous year	$5,393,457	$5,449,287	$8,244,740	$9,100,995	$10,074,694
Net income or (loss)	$1,197,669	($120,578)	$934,277	$427,199	$198,601
Change in net unrealized capital gains or (losses)	-0-	(7,721)	416	(17,056)	9,031
Change in net deferred income tax	-0-	72,109	(28,620)	(14,363)	9,686
Change in non-admitted assets and related items	(339,417)	205,083	100,000	-0-	(753,063)
Change in asset valuation reserve	(2,422)	(187,460)	(149,818)	(97,059)	(87,294)
Cumulative effect of changes in accounting principles	-0-	104,694	-0-	-0-	-0-
Surplus adjustment: Paid in	-0-	3,529,326	-0-	1	-0-
Dividends to stockholders	(800,000)	(800,000)	-0-	(930,000)	
Change in equity of subsidiaries	-0-	-0-	-0-	1,604,977	(1,486,832)
Net change in total capital and surplus for the year	$55,830	$2,795,453	$856,255	$973,699	($2,109,871)
Total Capital and Surplus December 31, current year	$5,449,287	$8,244,740	$9,100,995	$10,074,694	$7,964,823

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION

ASSETS

Bonds: $9,361,633

The amount shown above is $600,000 less than reported by the Company in its 2004 Annual Statement. Justification for change: As of December 31, 2004, the Company had 1 bond held at Salmon Smith Barney and did not have a custodian agreement that complies with Tenn. Comp R. & Regs. 0780-1-46-.04 or guidelines set in the *NAIC Financial Condition Examiners Handbook* for custodian agreements. The Company valued the bond at $600,000 in their 2004 Annual Statement. The Company was advised to move the bond to an acceptable custodian at once and it is recommended that in the future the Company hold their securities with a custodian under a proper custodian agreement that complies with Tenn. Comp R. & Regs. 0780-1-46-.04 and the guidelines set in the *NAIC Financial Condition Examiners Handbook* for custodian agreements.

Common Stocks: $3,955,200

The amount shown above is $1,366,327 less than reported by the Company in its 2004 Annual Statement. Justification for change: The non-admission of this amount is the result of 2 components that are described below:

1. The 1st resulted from the Company holding 100% of the stock of its subsidiary Plateau Casualty Insurance Company and valuing that stock at its statutory value as shown in its 2004 Annual Statement. During the coinciding examination of Plateau Casualty Insurance Company, capital and surplus was reduced by $1,204,069 due to the examination findings. Therefore, as a result of the examination of Plateau Casualty Insurance Company, the value of the Company's holding of that stock will also be reduced by the same amount.

2. The 2nd component is due to the Company maintaining common stocks held at Salmon Smith Barney and not having a custodian agreement that complies with Tenn. Comp R. & Regs. 0780-1-46-.04 or guidelines set in the *NAIC Financial Condition Examiners Handbook* for custodian agreements. The Company valued these common stocks at $162,258 in their 2004 Annual Statement. The Company was advised to move these common stocks to an acceptable custodian at once and it is recommended that in the future the Company hold their securities with a custodian under a proper custodian agreement that complies with Tenn. Comp R. & Regs. 0780-1-46-.04 and the guidelines set in the *NAIC Financial Condition Examiners Handbook* for custodian agreements.

Other Invested Assets: $32,718

The amount shown above is $21,951 less than reported by the Company in its 2004 Annual Statement. Justification for change: It was determined that the collateral for a note receivable the Company has outstanding to Gateway Financial Services is less than the book value of the loan by $21,951. The collateral for the loan is all the outstanding stock of Gateway Reinsurance, Ltd., a subsidiary of Gateway Financial Services. The carrying value for the loan on the Company's books at December 31, 2004, was $54,669; however based on Gateway Reinsurance, Ltd.'s 2004 financial statements, their value was $32,718, leaving an uncollateralized difference of $21,951. It is required by *Statements of Statutory Accounting Principals* (SSAP) # 21 that collateral for loans have values at least equal to the value of the loan outstanding and any deficiency in the value of the collateral is to be non-admitted.

Investment Income Due and Accrued: $115,869

The amount shown above is $583 less than reported by the Company in its 2004 Annual Statement. Justification for change: The bond held by Salmon Smith Barney that is being non-admitted reported accrued interest that is also required to be non-admitted.

LIABILITIES, SURPLUS AND OTHER FUNDS

Provision for Experience Rating Refunds:	$0
Commissions to Agents Due or Accrued:	$21,641

Provision for experience rating refunds is $21,641 less than reported by the Company in its 2004 Annual Statement and commissions to agents due or accrued is $21,641 more than reported by the Company in its 2004 Annual Statement. Justification for change: This balance consisted of amounts that were commissions to agents due or accrued and were not experience rating refunds. Therefore, based upon the actuary's recommendation, the total amount has been reclassified from provision for experience rating refunds to commissions to agents due or accrued.

Total Capital and Surplus	$7,964,823

Total capital and surplus as established by this examination is $1,988,861 less than reported by the Company in its December 31, 2004, Annual Statement. This was due to a decrease in bonds by $600,000, common stocks by $1,366,327, other invested assets by $21,951, investment income due and accrued by $583 and reclassification of $21,641 from provision for experience rating refunds to commissions to agents due or accrued. The changes in the various items indicated are discussed in detail under the appropriate captions elsewhere in this report.

The Company is in compliance with Tenn. Code Ann. §§ 56-2-114 and 115 which require an insurer of this type to maintain a minimum capital and surplus of two million dollars ($2,000,000).

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AS THEY AFFECT SURPLUS

Item	Reclassification	Increase	Decrease	Surplus
Total Capital and Surplus per Company				$9,953,684
Bonds			$600,000	
Common stocks			1,366,327	
Other invested assets			21,951	
Investment income due and accrued			583	
Provision for experience rating refunds	(21,641)			
Commissions to agents due or accrued	21,641			
Totals	$0	$0	$1,988,861	
Total Decrease per Examination				(1,988,861)
Total Capital and Surplus per Examination				$7,964,823

COMMENTS AND RECOMMENDATIONS

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

Comments:

A. Litigation and Contingent Liabilities – Page 38

Subsequent to the examination date, in January 2005, the Company received notice of a lawsuit filed in the Circuit Court of Cumberland County, Tennessee, on December 21, 2004. The lawsuit alleges that the Company has not paid refunds to policyholders on certain loans made through auto dealerships that have been prepaid. The plaintiff, who did not receive a refund after his loan was prepaid, filed this suit as a class action complaint on behalf of himself and all others similarly situated.

The non-payment of refunds sometimes occurs through auto dealerships due to a disconnect between the agent (auto dealer) and third party creditor (Bank, GMAC, etc.). Some third party creditors notify the auto dealer and the Company of loan prepayments, while others do not. Therefore, the Company has no knowledge of prepaid loans made through auto dealerships unless they are notified by the policyholder.

The plaintiff in the case alleges that it is the Company's responsibility to know when loans are prepaid and to send refunds accordingly. The Company states that it is the policyholder's responsibility to notify the Company of a loan being prepaid and to request a refund.

The judge ordered the Company and the plaintiff to enter settlement discussions in front of another circuit court judge in an attempt to settle the matter without going to trial. Both parties entered into a Class Action Settlement Agreement dated November 17, 2005, but has not yet received court approval. The Settlement Agreement defines the class members and sets the rules on how the parties will determine the amount of the settlement fund. Based on policy information provided by the Company, the 2 parties have agreed to have Equifax, a third party credit reporting agency, determine the names, current address and date of prepayment or termination for those insureds that prepaid or otherwise terminated their loan prior to the expiration of the certificate.

The Settlement Agreement also states the settlement fund cap. The Company's payment obligations under the settlement fund will not exceed $2,500,000. If refund requests exceed this amount, the Company reserves the right to withdraw from the settlement but may waive this right. The Company believes that it will recover more than 85% of any refunds that it pays from agent commission chargebacks and reinsurance. Also, the Settlement Agreement calls for the attorneys for the plaintiff to be paid from the settlement fund. Therefore, the Company believes that the maximum cost of the lawsuit will be $375,000.

The Company believes that they were notified of a refund due by a majority of the policyholders that fall in this class and believe that they do not have a significant liability in this case. However, the Company has estimated a liability of $215,000 for this lawsuit and will accrue this amount in the 4th quarter of 2005.

Except for this Refund Litigation lawsuit, the Company apparently had no other agreements or pending matters of contingent nature that would materially affect its financial position or operating results at December 31, 2004.

Inquiries were made to the states in which the Company is licensed to determine if any regulatory action had been taken against the Company or its representatives during the period under review. No regulatory actions were taken.

B. Other Invested Assets – Page 47

During the examination, it was determined that the collateral for a note receivable the Company has outstanding to Gateway Financial Services is less than the book value of the loan by $21,951. The collateral for the loan is all the outstanding stock of Gateway Reinsurance, Ltd., a subsidiary of Gateway Financial Services. The carrying value for the loan on the Company's books at December 31, 2004, was $54,669; however based on Gateway Reinsurance, Ltd.'s 2004 financial statements, their value was $32,718, leaving an uncollateralized difference of $21,951. It is required by *Statements of Statutory Accounting Principals* (SSAP) # 21 that collateral for loans have values at least equal to the value of the loan outstanding and any deficiency in the value of the collateral is to be non-admitted.

C. Provision for Experience Rating Refunds – Page 48
Commissions to Agents Due or Accrued – Page 48

This balance consisted of amounts that were actually commissions to agents due or accrued and were not experience rating refunds. Therefore, based upon the actuary's recommendation, this entire amount of $21,641 was reclassified from provision for experience rating refunds to commissions to agents due or accrued.

Recommendations:

A. Pecuniary Interest of Officers and Directors – Page 8

During the examination, one issue was noted as a possible violation of Tenn. Code Ann. § 56-3-103. The possible violation stems from the fact that during the period of examination and as of December 31, 2004, the Company had five (5) directors on its board that were also the Chairmen or the Presidents of banks that produce some of the Company's credit business. Tenn. Code Ann. § 56-3-103 states, in pertinent part, that "[n]o director or other officer of any domestic insurance company organized under the laws of Tennessee,...shall accept, or be the beneficiary of, either directly or remotely, any fee, brokerage, commission, gift, or other consideration for or on account of any loan, deposit, purchase, sale, payment, or exchange made by or in behalf of such company...". It is recommended that the Company take any and all necessary steps to comply with the Tenn. Code Ann. § 56-3-103 at all times.

At present, there are no current violations of Tenn. Code Ann. § 56-3-103 existing in the Company; because in October 2005, the Company removed the five (5) directors associated with the producing banks and replaced them with Plateau Group employees.

B. Reinsurance Agreements – Page 13

In the review of the Company's reinsurance agreements there were 2 examination recommendations noted. These recommendations are described below:

1. Prior Approval of Reinsurance Agreements with Affiliates

During the review of the Company's reinsurance agreements, it was noted that the Company did not receive prior approval of 6 agreements with 3 affiliated companies. The 3 affiliated companies these reinsurance agreements are with are Plateau Reinsurance Ltd., Tennessee Life Insurance Company and Preferred Reinsurance Ltd.

The Company has been required to report these agreements to the TDCI in accordance with holding company transaction requirements specified in Tenn. Code Ann. § 56-11-206(a)(2)(C), which requires transactions within a holding company system to be reported when "the reinsurance premium or a change in the insurer's or health maintenance organization's liabilities equals or exceeds five percent (5%) of the insurer's surplus as regards policyholders..." Furthermore, in accordance with Tenn. Code Ann. § 56-11-206(a)(2) transactions within a holding company system "may not be entered into unless the insurer or health maintenance organization has notified the commissioner in writing of its intention to enter into such transaction at least thirty (30) days prior thereto, or such shorter period as the commissioner may permit, and the commissioner has not disapproved it within such period."

The 2 agreements with Plateau Reinsurance Ltd. which had effective dates of December 1, 1995 were approved by the TDCI on December 29, 1995. Neither of these agreements was reported at least 30 days prior to the effective date of the agreement.

The 2 agreements with Tennessee Life Insurance Company which had effective dates of December 9, 1986 were received by the TDCI on August 9, 2004. Neither of these agreements was reported when required.

The 2 agreements with Preferred Reinsurance Ltd. which had effective dates of December 23, 1994 were received by the TDCI on August 9, 2004. Neither of these agreements was reported when required.

It is recommended that the Company comply completely with Tenn. Code Ann. § 56-11-206(a)(2)(C).

2. Annual Statement Reporting

It was noted that the effective dates for some agreements, reported in the 2004 Annual Statement are incorrect. The Company's attention is directed to the Annual Statement Instructions, page 273, which states the "effective date as used in this schedule (Schedule S) is the date the contract originally went into effect" and Tenn. Code Ann. § 56-1-501(b) requires that an annual statement "shall be completed and filed in accordance with annual statement instructions established by the commissioner." Tenn. Code Ann. § 56-44-102 requires that this same statement be filed with the NAIC. It is recommended that the Company comply completely with Tenn. Code Ann. § 56-1-501(b) and 56-44-102.

C. Bonds. Common Stocks and Subsequent Events – Page 41 and 46

The Company had 1 bond and several common stocks held at Salmon Smith Barney and did not have a custodian agreement that complies with Tenn. Comp R. & Regs..0780-1-46-.04 or guidelines set in the *NAIC Financial Condition Examiners Handbook*. Due to this non-compliance, the bond, common stocks and their corresponding accrued interest and dividends were non-admitted.

In May 2005, the Company complied with a TDCI's request to move these securities to a proper custodian bank where they have in place a proper custodian agreement that complies with Tenn. Comp R. & Regs. 0780-1-46-.04 and the guidelines set in the *NAIC Financial Condition Examiners Handbook* for custodian agreements.

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 located in Crossville, Tennessee.

In such manner, it was found that as of December 31, 2004, the Company had admitted assets of $18,590,633 and liabilities, exclusive of surplus, of $10,625,810. Thus, there existed for the additional protection of the policyholders, the amount of $7,964,823 in the form of common capital stock, gross paid in and contributed surplus and unassigned funds.

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, Margaret T. Cheng, ASA, MAAA, independent contracting actuary and Norman Chandler, CPA, CPCU, ARe, AIAF, ARC, ACP, of the contracting reinsurance specialist firm, TaylorChandler, LLC, Montgomery, Alabama, participated in the work of this examination.

Respectfully submitted,

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

Brian H. Sewell
Insurance Examiner, III
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Southeastern Zone, NAIC

EXAMINATION AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Plateau Insurance Company located in Crossville, Tennessee dated February 14, 2006, and made as of December 31, 2004, 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
Southeastern Zone, NAIC

County Davidson

State Tennessee

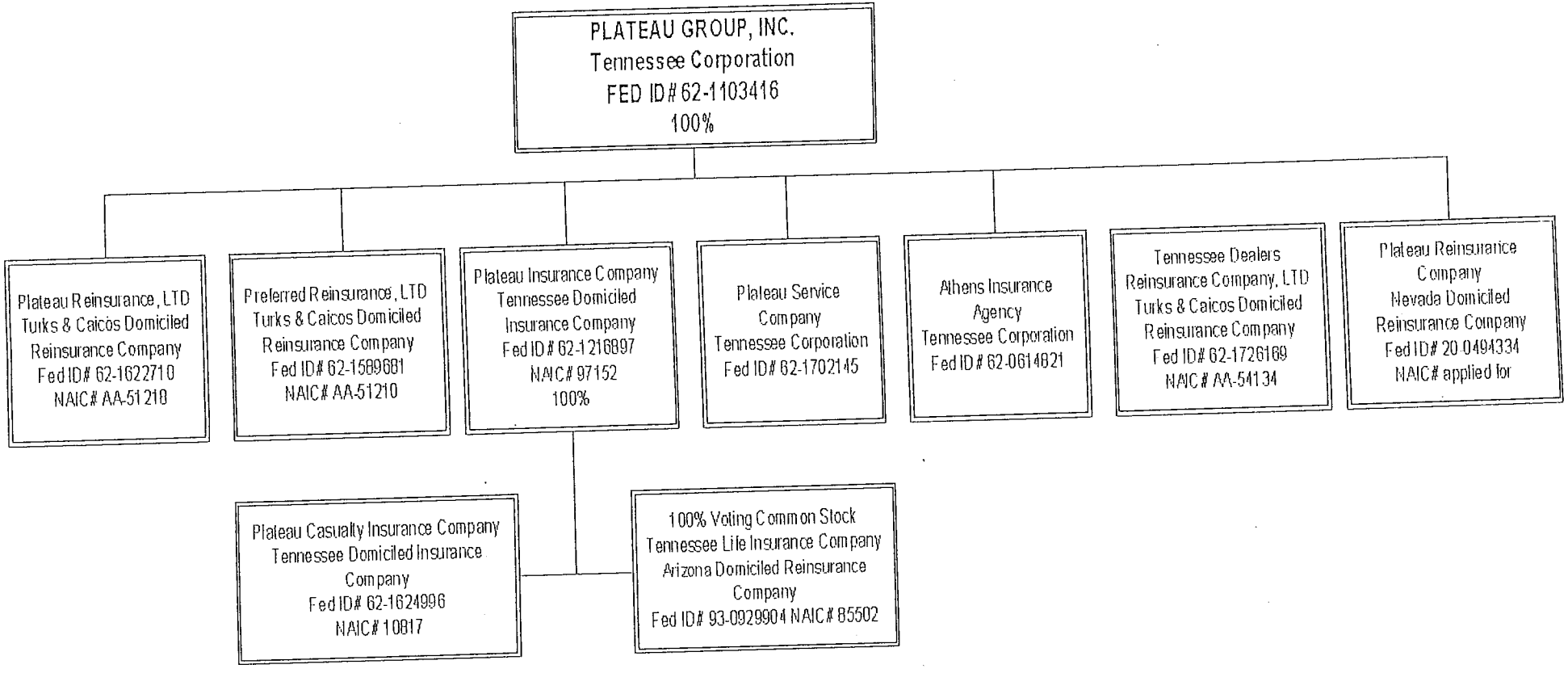
Subscribed and sworn to before me this 14th day of February, 2006

Andrea Wenk Hardy
(NOTARY)

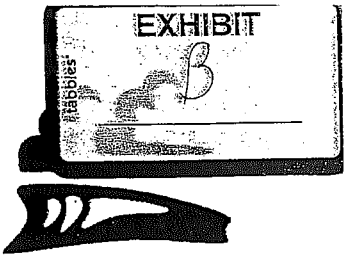
ANDREA WENK HARDY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

My Commission Expires

11-14-2009


PLATEAU GROUP, INC.
Tennessee Corporation
FED ID# 62-1103416
100%
Plateau Reinsurance, LTD
Turks & Caicos Domiciled
Reinsurance Company
Fed ID# 62-1622710
NAIC# AA-51218
Preferred Reinsurance, LTD
Turks & Caicos Domiciled
Reinsurance Company
Fed ID# 62-1589681
NAIC# AA-51210
Plateau Insurance Company
Tennessee Domiciled
Insurance Company
Fed ID# 62-1216897
NAIC# 97152
100%
Plateau Service
Company
Tennessee Corporation
Fed ID# 62-1702145
Athens Insurance
Agency
Tennessee Corporation
Fed ID# 62-0614821
Tennessee Dealers
Reinsurance Company, LTD
Turks & Caicos Domiciled
Reinsurance Company
Fed ID# 62-1726169
NAIC# AA-54134
Plateau Reinsurance
Company
Nevada Domiciled
Reinsurance Company
Fed ID# 20-0494334
NAIC# applied for
Plateau Casualty Insurance Company
Tennessee Domiciled Insurance
Company
Fed ID# 62-1624996
NAIC# 10817
100% Voting Common Stock
Tennessee Life Insurance Company
Arizona Domiciled Reinsurance
Company
Fed ID# 93-0929904 NAIC# 85502

The Plateau Group



RECEIVED
FEB 27 2006
Dept. Of Commerce & Insurance
Company Examinations

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

February 20, 2006

Mr. Don Spann, CFE
State of Tennessee
Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Re: Plateau Insurance Company
Report of Examination as of December 31, 2004

Dear Mr. Spann:

Please accept this letter as response to your letter dated December 19, 2005 relating to the examination of Plateau Insurance Company as of December 31, 2004. The examination dated February 14, 2006 was received by us today and our response is dated the same.

Specific responses to recommendations are as follows:

1. Pecuniary Interest of Officers and Directors

   The company strongly disagrees with the implication that the company was in violation with Tenn. Code Ann. § 56-3-103 and provided written documentation in furtherance of our disagreement to the department during the course of the examination. However, in October 2005 during the course of the exam, in order to dispel any question of non-compliance with this section of the code, we replaced the former directors with employees of The Plateau Group, Inc.

2. Prior Approval of Reinsurance Agreements with Affiliates

   The company acknowledges that it is directed to notify the commissioner of its intent to enter into any transactions listed under §56-11-206(a)(2)(C) at least thirty (30) days prior to doing so. The company will make every effort to comply with TCA in this regard in the future.

3. Annual Statement Reporting

   The company acknowledges that it is directed to complete its annual statement in accordance with the annual statement instructions established by the commissioner. In this regard, the company also acknowledges the departments concern in regards to "effective date as used in Schedule S" and will endeavor to make necessary changes to the pertinent schedules. The company will continue to make every effort to complete its annual statement in accordance with the annual statement instructions as are established by the commissioner.

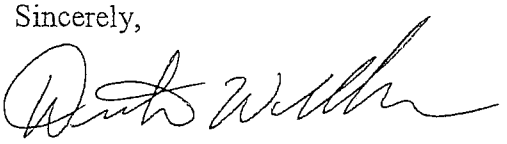
4. Bonds and Subsequent Events

   The company acknowledges that it is directed to comply with TCA §56-3-112 and Regulation 0780-1-46-.04 by maintaining a custodial agreement that complies with these rules. The company will make every effort to ensure that all securities held by the company in this manner are covered by a proper custodial agreement.

While this letter is submitted in response to the exam, it is not our intent to rebut the findings, as those items listed above have been corrected. As a result, it is the desire of the company to forego the comment period and make the exam final.

Should you have any questions or comments, please call me at 1-800-752-8328.

Sincerely,



Dick Williams
President