STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

PROTECTIVE LIFE INSURANCE COMPANY

(NAIC # 68136)
BIRMINGHAM, ALABAMA

AS OF

DECEMBER 31, 2019

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Birmingham, Alabama
May 17, 2021

Honorable Carter Lawrence
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated ("Tenn. Code Ann.") § 56-1-408, a full-scope financial examination and market conduct review, as of December 31, 2019, has been made of the condition and affairs of:

PROTECTIVE LIFE INSURANCE COMPANY
NAIC # 68136
2801 Highway 280 South
Birmingham, AL 35223

hereinafter referred to as the "Company" or "PLIC" and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or "Department") under rules promulgated by the National Association of Insurance Commissioners (NAIC). The examination was conducted by duly authorized representatives of the TDCI. This examination was called through the NAIC's Financial Examination Electronic Tracking System (FEETS). Notice of intent to participate was received from Alabama, Nebraska, and New York. Each of these states conducted examinations of companies domiciled in their respective states, which were coordinated with TDCI's examination of PLIC. Further description of the coordination effort between the states is discussed below under the heading "Scope of Examination."

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2014. This examination covers the period January 1, 2015, through December 31, 2019, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of examination.

The Company is a member of the Dai-ichi Life Holdings Incorporated Group, with the State of Tennessee as the group's lead state. The following are all the insurance companies and their respective domiciliary states within the group, as of December 31, 2019:

Protective Life Insurance Company (Tennessee)
Protective Life and Annuity Insurance Company (Alabama)
West Coast Life Insurance Company (Nebraska)
MONY Life Insurance Company (New York)
Protective Property & Casualty Insurance Company (Missouri)
Golden Gate Captive Insurance Company (Vermont)
Golden Gate III Captive Insurance Company (Vermont)
Golden Gate IV Captive Insurance Company (Vermont)
Golden Gate V Captive Insurance Company (Vermont)

Participating states in the coordinated group examination were Alabama, Nebraska, and New York. Non-participating states were Missouri and Vermont.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with practices and procedures promulgated by the NAIC in the *Financial Condition Examiners Handbook* ("Handbook"), as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Company, as of December 31, 2019. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, by identifying and assessing inherent risks within the Company, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions.

All significant risks were considered when planning which key activities and accounts would be examined. The key activities included: Underwriting/Pricing; Separate Accounts; Reserves/Claims; Reinsurance; Related Party; Investments; and Capital and Surplus.

The Company's 2019 annual statement was compared with or reconciled to the corresponding general ledger account balances.

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

The Company’s parent, Protective Life Corporation (PLC), maintains an Internal Audit (IA) Department, which is charged with performing the IA function for all companies within the holding company system. IA activities focus on Sarbanes-Oxley (SOX) compliance testing. The scope of SOX testing included the Company’s internal controls over financial reporting. The examiners reviewed the processes tested and requested the workpapers for specific processes which had been identified as significant to the key activities and sub-activities being examined. The workpapers were provided and were utilized, where appropriate.

Independent information technology specialist services, provided by Noble Consulting Services, Inc., were utilized in the examination review of the Company’s information technology general controls (ITGC).

Investment specialist services, provided by Noble Consulting Services, Inc., were utilized in the examination review of the Company’s investment holdings, transactions, and hedging program.

The actuarial firm of Lewis & Ellis, Inc. was utilized in the examination review of the Company’s reinsurance, and statutory reserves, as well as the risk assessment and review of controls for reserving and pricing risks.

The Company’s Certified Public Accountant (CPA) workpapers were reviewed for the 2019 audit and copies were incorporated into the examination, as deemed appropriate.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

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

COMPANY HISTORY

The Company was incorporated as a legal reserve life insurance company under the laws of the State of Alabama on July 24, 1907. The Certificate of Incorporation was filed for record in the office of the Judge of Probate of Jefferson County, Alabama.

On February 3, 1981, the Company caused Protective Corporation to be organized under the laws of the State of Delaware as a wholly-owned subsidiary of the Company’s subsidiary, Empire General Corporation. Simultaneously, the Company reorganized into a holding company system with Protective Corporation becoming the parent company. On May 20, 1985, Protective Corporation changed its name to Protective Life Corporation (PLC), the Company's parent. The Company re-domesticated from Alabama to Tennessee effective December 29, 1992.

When the Company was organized in July 1907, it had $4,000,000 of authorized capital stock, which consisted of forty thousand (40,000) shares of $10 par value per share common stock. The Company commenced business September 1, 1907, with paid up capital of $100,000.

Since the date of incorporation, the Company's shareholders have approved a number of amendments to the Certificate of Incorporation ("Certificate") changing the amount and par value of the authorized capital stock. An amendment to the Certificate adopted at a special meeting of the shareholders held November 20, 1964, provided that the authorized capital of the Company would be $6,600,000, consisting of three million three hundred thousand (3,300,000) shares of $2.00 par value common stock. At the annual meeting on May 7, 1979, the shareholders approved an amendment to the Certificate reducing the par value of the common capital stock to $1.00 per share and increasing the number of authorized shares to six million six hundred thousand (6,600,000). The effect of this action was a two-for-one stock split. On February 2, 1981, six thousand (6,000) shares of the stock were retired and canceled.

By written consent of the sole shareholder, PLC, dated November 9, 1981, the Certificate was amended in the form recommended by the Board of Directors ("Board") changing the authorized capital stock to $5,000,000, consisting of five million (5,000,000) shares of $1.00 par value per share common stock.

On June 3, 2014, The Dai-ichi Life Insurance Company ("Dai-ichi"), a stock company organized under the laws of Japan, DL Investment (Delaware) Inc. (merger subsidiary), a Delaware corporation and wholly-owned subsidiary of Dai-ichi, and PLC entered into an Agreement and Plan of Merger that provided for the merger with and into PLC, with PLC surviving the merger as a wholly-owned subsidiary of Dai-ichi. The effective date of the merger was February 15, 2015.

Over the years, through mergers, acquisitions or bulk reinsurance, PLIC has acquired a large number of other insurers. The following significant acquisitions occurred during the period under examination:

- Acquisition of Genworth Life and Annuity Insurance Company - closed January 15, 2016
- United States Warranty Corporation - closed December 1, 2016

- Liberty Life Assurance Company of Boston - closed May 1, 2018
- Great-West Life & Annuity Insurance Company - closed June 1, 2019

The Company's current Charter, dated September 9, 2002, authorizes five million (5,000,000) shares of stock, $1.00 par value per share. All such shares are to be of one (1) class and shall be designated as Common Stock. All shares are outstanding and owned by PLC.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The Company's Bylaws state that the business and affairs of the corporation shall be managed by a Board who shall be elected at the annual meeting of the shareholders held for that purpose and to conduct such other business. The meeting shall be held at the Company's administrative office unless some other place, either within or without the state of Alabama, is designated by the shareholders or by the Board.

Directors need not be residents of the State of Tennessee or shareholders of the corporation. The Company's Bylaws state that the number of directors shall consist of a range from one (1) natural person to no more than twenty (20) persons, as set forth from time to time by resolution of the shareholders. A majority of directors constitutes a quorum. Directors serve until the next annual meeting of the shareholders and thereafter, until a successor has been elected.

The following persons were duly elected by the shareholders and were serving as members of the Board, as of December 31, 2019:

Name	Principal Occupation
Richard Joseph Bielen	President and Chief Executive Officer
Michael Gus Temple	Chief Operating Officer
Carl Sitter Thigpen	Executive Vice President, Chief Investments Officer

Officers

The Bylaws provide that the officers of the Company shall be a President and a Secretary, and such other officers as the Board may determine. The same individual may simultaneously hold more than one office in the corporation, except the offices of President and Secretary, as provided by the Bylaws.

The following officers were duly elected by the Board and were serving as officers of the Company, as of December 31, 2019:

Name	**Title**
Richard Joseph Bielen	President and Chief Executive Officer
Lance Pierson Black	Senior Vice President, Treasurer
Steve Manley Callaway	Senior Vice President, Secretary and Senior Counsel
Carl Sitter Thigpen	Executive Vice President, Chief Investment Officer
Steven Glen Walker	Executive Vice President, Chief Financial Officer
Michael Gus Temple	Vice Chairman and Chief Operating Officer
David Scott Adams	Executive Vice President, Chief Digital and Innovation Officer
Mark Livingston Drew	Executive Vice President, General Counsel
Paul Richard Wells	Senior Vice President, Chief Accounting Officer and Controller
Kevin Bruce Borie	Actuary

Committees

The Company has the following committees:

PLIC Committees

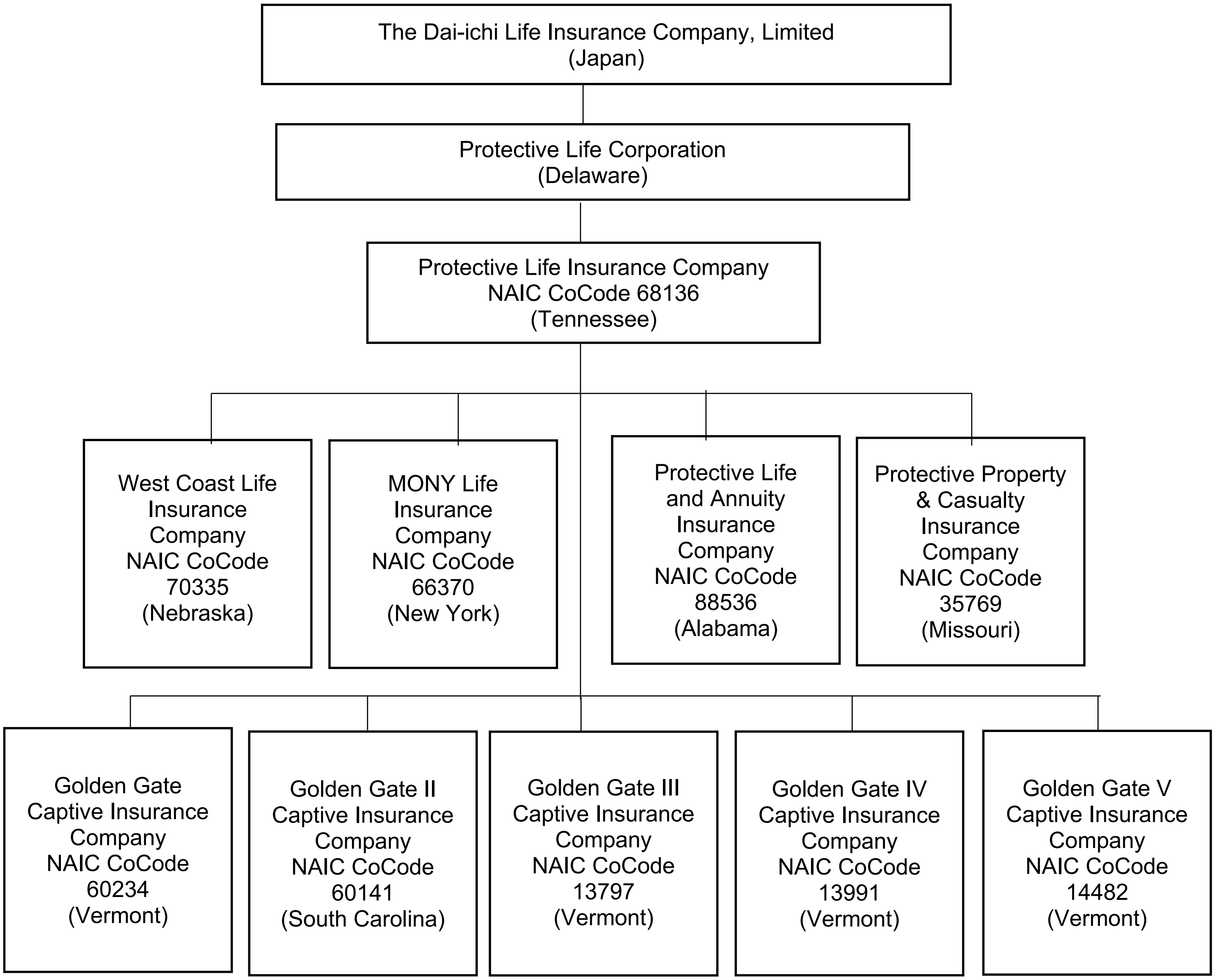
Audit
Executive
Investment

CONTROL

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(7), and as such, is subject to the Insurance Holding Company System Act of 1986, set forth in Tenn. Code Ann. §§ 56-11-101, *et seq*. The Ultimate Controlling Person is Dai-ichi. Dai-ichi is the ultimate parent of the PLIC and PLC. PLC is the direct parent of PLIC, and PLIC owns Protective Life and Annuity Insurance Company (PLAIC), Protective Property & Casualty Insurance Company (PPCIC), West Coast Life Insurance Company (WCL), MONY Life insurance Company (MONY), Golden Gate Captive Insurance Company (“Golden Gate”), Golden Gate II Captive Insurance Company (“Golden Gate II”), Golden Gate III Vermont Captive Insurance Company (“Golden Gate III”), Golden Gate IV Vermont Captive Insurance Company (“Golden Gate IV”), and Golden Gate V Vermont Captive Insurance Company (“Golden Gate V”). Dai-ichi files a holding company registration statement annually, as required by Tenn. Code Ann. § 56-11-105.

ABBREVIATED ORGANIZATIONAL CHART

The following abbreviated organizational chart shows all the insurance companies and their respective domiciliary states within the Dai-ichi insurance holding company system:



DIVIDENDS

During the period of examination, the Company declared and paid dividends to its shareholder. The Company gave proper notice of its ordinary dividends to the TDCI, as required by Tenn. Code Ann. §§ 56-11-105(e) and 56-11-106(b).

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

Year	Ordinary (O) or Extraordinary (E)	Notification Date	Dividend Amount
2017	O	12/05/2017	$140,000,000
2017	O	09/11/2017	23,000,000
2017	O	06/08/2017	140,000,000
2016	O	12/05/2016	120,000,000
2016	O	09/08/2016	140,000,000
2016	O	06/06/2016	140,000,000
2016	O	03/02/2016	140,000,000
2015	O	12/02/2015	25,000,000
2015	O	06/02/2015	85,000,000
2015	O	03/10/2015	145,000,000
Total paid during period of Exam			$1,098,000,000

CORPORATE RECORDS

The minutes of meetings of the Company's shareholder, Board, and Committees were reviewed for the period under examination. They were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies. The review of the minutes indicates that all investment transactions were approved by the Board, pursuant to Tenn. Code Ann. § 56-3-408(b)(1).

The Charter of the Company, in effect as of December 31, 2019, is the Company's Amended and Restated Charter which was filed with the Tennessee Secretary of State on July 26, 2011. The Charter states the Company is for-profit, perpetual, and organized to conduct business as a life, accident, and health organization under the laws of the State of Tennessee. The general provisions and powers enumerated in the Company's Charter are usual in nature and consistent with corporations of this type. There were no changes to the Company's Charter during the examination period.

The Bylaws of the Company in effect at December 31, 2019, are the Company's Amended and Restated Bylaws that were adopted by the Board on July 27, 2011. The Bylaws were last amended to include language that did not allow the offices of president and secretary to be held by the same person. There were no changes to the Company's Bylaws during the examination period.

The Bylaws provide for an annual shareholders' meeting at which a Board is elected. Officers are elected by the Board. The Bylaws are such as generally found in corporations of this type and contain no unusual provisions. They provide for the regulation of the business and for the conduct of the affairs of the Company, the Board, and its shareholders.

AGREEMENTS WITH PARENT AND AFFILIATES

The Company had the following significant agreements with its parent and affiliated companies in effect, as of December 31, 2019:

Administration Agreement with PLC

Effective October 1, 1988, the Company entered into an administration agreement with PLC. This agreement was amended on January 3, 2011, to address costs of administrative services not otherwise specifically provided by separate agreements. The original term was twelve (12) months, ending September 30, 1989, to be automatically renewed for twelve (12) months, and shall so renew each anniversary for the same period, on the same terms and conditions. Either party shall have the right to terminate the agreement by giving written notice at least sixty (60) days prior to the end of the then-current contract term.

The services provided by PLC under the agreement are managerial and administrative support, equipment, office space, marketing, product support, and such other services as may be required. Administrative services costs, which are provided by one (1) member of the PLC holding company system, and not otherwise specifically provided for by separate agreements, shall be shared by PLC and members of the PLC holding company in accordance with generally accepted accounting principles. PLC submits, within fifteen (15) days of the end of each quarter, the amount owed by the Company for services in that quarter. The Company shall pay within fifteen (15) days following the receipt of such amount.

The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1).

Investment Services Agreement with PLC

Effective July 2, 1981, the Company entered into an Investment Services Agreement with PLC. Amendments were executed on September 2, 1982, January 4, 1983, and January

3, 2011. The original term was twelve (12) months, ending July 1, 1981, to be automatically renewed for twelve (12) months, and shall so renew each anniversary for the same period, on the same terms and conditions. Either party shall have the right to terminate the agreement by giving written notice at least sixty (60) days prior to the end of the then-current contract term.

According to the terms and provisions of the Agreement, the Company is provided investment advisory and management services subject to the guidelines as specified in the Agreement.

The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1).

<u>Legal Services Agreement with PLC</u>

The Company has a legal services agreement with PLC. The agreement was made effective on January 1, 2004, and approved by the TDCI on October 12, 2004. This agreement may be terminated by PLC or the Company upon giving sixty (60) days prior written notice to the other party, unless both parties agree in writing to a shorter advance notice period.

The services provided by PLC under the agreement include, but are not limited to, general corporate legal work, insurance related legal work, administrative and other regulatory work, litigation supervisions, and contracts. Charges shall include all direct and indirect allocable expenses. PLC submits, within fifteen (15) days of the end of each quarter, the amount owned by the Company for services in that quarter. The Company shall pay within fifteen (15) days following receipt of such amount.

The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1).

<u>Tax Sharing Agreement</u>

Effective January 1, 1988, the Company participates in a Consolidated Tax Allocation Agreement with PLC and other affiliated companies. The agreement was amended on October 11, 2004, which was approved by the TDCI on November 14, 2004. The term of this agreement is perpetual for all future taxable years for which the Company is eligible to be in included in the consolidated group.

The Company has elected to be included in PLC's consolidated tax return. The agreement facilitates the filing of a consolidated federal income tax return as an affiliated group under PLC. The consolidated tax liability is allocated to each member of the consolidated group based upon the percentage of each member's tax computed on a separate return basis to the total tax as computed for all members. In lieu of actual payments, adjustments to intercompany payables and receivables will be made if such exist on the Company's books.

The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1).

TERRITORY AND PLAN OF OPERATION

TERRITORY

The Company is a stock for-profit insurance company domiciled in Tennessee and licensed to transact business in all states and U.S. territories, except for New York. Certificates of Authority granted by the licensed states were reviewed and found to be in force at December 31, 2019.

The Company currently has no applications pending for admission to any other states or territories. Premium tax records were reviewed for all states in which the Company writes business and no exceptions were noted.

PLAN OF OPERATION

At December 31, 2019, the Company designed and distributed products that enhance the financial security of its policyholders. At December 31, 2019, the Company's product offerings included:

- Universal life insurance
- Traditional life insurance
- Individual annuities
- Funding agreements and guaranteed investment contracts
- Credit life and disability insurance

These products were primarily sold through networks of independent insurance agents and brokers, financial institutions, independent distribution organizations, affinity groups, and broker dealers.

At December 31, 2019, the Company's insurance operations were conducted through five segments: Life Marketing, Annuities, Stable Value Products, Asset Protection, and Acquisitions. Generally, the segments conduct business through the Company, as well as through the Company's subsidiaries and affiliates.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination, according to its annual statements filed with the TDCI. *(Note: Immaterial differences in totals are due to rounding.)*

Year	Admitted Assets	Liabilities	Capital and Surplus	Premiums and Annuity Considerations
2019	$70,360,857,339	$65,445,111,960	$4,915,745,379	$23,428,671,762
2018	$57,811,786,043	$53,471,512,957	$4,340,273,086	$12,612,382,613
2017	$47,662,817,708	$43,380,541,033	$4,282,276,674	$2,409,924,555
2016	$44,644,937,893	$40,408,038,215	$4,236,899,677	$2,378,757,710
2015	$41,809,688,019	$38,027,764,724	$3,781,923,294	$2,682,323,446

LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements, the ratios of losses and loss adjustment expenses (LAE) incurred to earned premiums, for the period subject to this examination were as follows:

Group A&H	2019	2018	2017	2016	2015
Net incurred claims	$294,000,515	$1,372,903	$2,067,621	$2,864,872	$3,589,432
Net premiums earned	$307,987,301	$6,755,477	$8,044,668	$10,588,086	$12,743,242
Loss experience ratio	95%	20%	26%	27%	28%

Credit A&H	2019	2018	2017	2016	2015
Net incurred claims	$201,615	$280,741	$88,763	$256,734	$97,170
Net premiums earned	$250,630	($364,841)	$2,160,802	$2,087,488	$828,013
Loss experience ratio	80%	(77%)	4%	12%	12%

Renewable A&H	2019	2018	2017	2016	2015
Net incurred claims	$17,484,039	$18,743,305	$17,797,604	$21,977,652	$20,712,996
Net premiums earned	$17,386,994	$18,115,783	$19,322,775	$21,162,199	$22,867,546
Loss experience ratio	101%	103%	92%	104%	91%

REINSURANCE AGREEMENTS

Assumed Reinsurance

A core business activity of the Company involves acquiring, converting, and servicing policies purchased from other insurance companies. During the current examination period there have been two (2) primary reinsurance assumed transactions.

On January 23, 2019, the Company entered into a Master Transaction Agreement with Great-West Life & Annuity Insurance Company, The Canada Life Assurance Company, and The Great-West Life Assurance Company, pursuant to which the Company acquired via substantially all of the individual and group life and accident and health insurance and annuity business, except for the Separate Account business, which was assumed via a Modified Coinsurance (MODCO) agreement. On June 3, 2019, the Company completed the transaction. As of December 31, 2019, this business accounts for approximately $9,494,000,000 of assumed reserves, $10,741,000,000 of Modified Coinsurance reserves, and approximately $20,477,000,000 of assumed premiums.

On May 1, 2018, The Lincoln National Life Insurance Company completed its previously announced acquisition of Liberty Mutual Group Inc.'s Group Benefits Business and Individual Life and Annuity Business (the "Life Business") through the acquisition of all of the issued and outstanding capital stock of Liberty Life Assurance Company of Boston ("Liberty"). In connection with the closing and pursuant to the Master Transaction Agreement, the Company entered into a reinsurance agreement providing for the reinsurance and administration of the Life Business.

Pursuant to the Reinsurance Agreement, Liberty ceded to the Company the insurance policies related to the Life Business on a 100% coinsurance basis. All policies issued in states other than New York were ceded to the Company. As of December 31, 2019, this accounts for approximately $10,089,000,000 of assumed reserves, $43,000,000 of Modified Coinsurance reserves, and approximately $196,000,000 of assumed premiums.

The Company also reports several older blocks of co-insurance transactions and balances assumed relating to acquisition activities conducted in periods prior to the current examination. These include MONY, Athene Annuity & Life Assurance Company, Zurich American Life, Humana Dental, Jefferson National Life, Reliance Standard, Standard Life, and American General.

Ceded Reinsurance

Generally, the Company has reinsurance agreements in effect with numerous non-affiliated insurance companies for the purpose of diversifying risk and limiting exposure on larger mortality risks. The Company actively monitors the financial condition and industry ratings of its primary reinsurance partners and, as considered necessary, arranges and maintains collateral arrangements to secure ceded reserve credits.

In addition, the Company engages in several structured reinsurance transactions with affiliated (captive) parties, intended primarily to help manage capital stress from the reserving requirements associated with some of the Company's insurance products.

The Company's primary ceded business activity during the current examination period involves a combination of traditional per-life risk limiting reinsurance, credit insurance related activity reinsured with various producers of credit-related insurance through the Asset Protection Division (APD), and intercompany reinsurance with the Company's affiliates and Special Purpose (captive) reinsurers. Each is briefly summarized below.

<u>Traditional Risk Limiting External Reinsurance</u>

The Company retains no more than a $2,000,000 per-life exposure. Consistent with industry practice, the Company places various non-affiliated reinsurance arrangements consisting of a combination of first dollar quota share and excess of retention contracts intended to limit maximum per-life risk to pre-determined levels. Reinsurance of this type is typically placed with a group of non-affiliated reinsurance companies and coverage details are structured around the specific risk characteristics of a given insurance product. As new products are introduced by the Company, the reinsurance of older products become a "closed block" with respect to the individual reinsurance contracts, and continues to run-off with no new cessions attaching. New reinsurance pools are designed and procured to accommodate the individual risk exposures associated with new products, as considered necessary.

<u>Credit Insurance Related Reinsurance</u>

The Company's APD offers auto, marine and RV extended service contracts, GAP, and credit insurance. Credit insurance includes credit life and credit disability written by the Company in states where it is licensed. The Company reinsures a significant portion of credit business through producer-controlled, unauthorized reinsurance companies. In many of these reinsurance arrangements, one hundred percent (100%) of written premium is ceded to the reinsurer. Ceded reserves are secured by custodial agreements, letters of credit, or by funds withheld. A substantial portion of APD business not reinsured with producer-controlled reinsurance companies is ceded to RGA Reinsurance Company on a co-insurance basis.

<u>Intercompany Reinsurance Cessions/Assumptions</u>

There are several large blocks of business reinsured with the Company's subsidiary, WCL. These transactions are primarily for the purpose of accumulating similar products prior to further retrocession from WCL to one (1) of the group's captives in connection with reserve financing programs. Three (3) significant transactions involve blocks of in-force level premium term life business, which were ceded from PLIC to WCL under contracts originally effective in 2010 and 2013 (and subsequently amended in 2014). The first transaction, effective as of October 2010, covered term life products issued by PLIC during 2008-2010. The second transaction, effective as of July 2013, covers a block of group term life business acquired by PLIC from the United Investors Life Insurance Company. The 2013 contract was amended in 2014 to also cover a block of in-force level premium term life business previously acquired by PLIC (via co-insurance) from MONY. Concurrent with each of these transactions, WCL retroceded the aforementioned blocks to either Golden Gate III or Golden Gate IV under separate reinsurance agreements.

A fourth significant transaction involving reinsurance from PLIC to WCL relates to a block of universal life insurance policies with secondary guarantees (ULSG). This block was reinsured, as of effective October 2012, and was subsequently amended in February of 2013 (with no change to the original October of 2012 effective date) to include specified business issued on or before December of 2012. Also, concurrent with this transaction, WCL entered into a retrocession with Golden Gate V.

Related Party (Captive) Reinsurance

As noted above, the Company utilizes a combination of affiliated captive reinsurers (which, in the case of Golden Gate V, also includes the use of an affiliated Special Purpose Vehicle (SPV) as part of that overall transaction structure) to help alleviate the surplus strain resulting from actuarial reserving guidelines applicable to a number of the products marketed.

Following is a summary of each of the Company's captive reinsurers, which directly reinsure business from the Company, a general description of the business reinsured, and any unusual characteristics noted to date associated with the program.

Golden Gate Captive Insurance Company

Golden Gate is a wholly-owned subsidiary of PLIC. Golden Gate redomiciled to Vermont during 2015. Golden Gate assumed several blocks of term life business from PLIC and WCL under co-insurance reinsurance treaties, originally effective in 2004-2006. The PLIC-related business was originally ceded to Golden Gate by PLIC and three (3) affiliated insurers which were subsequently merged into PLIC during 2007: 1) Empire General Life Assurance Corporation; 2) Chase Insurance Life & Annuity Company; and 3) Chase Insurance Life Company. As of December 31, 2019, these blocks of business ceded by the Company to Golden Gate accounted for ceded reserves of $2,560,000,000.

Golden Gate II Captive Insurance Company

Golden Gate II is a wholly-owned subsidiary of the Company. Golden Gate II assumes a block of ULSG business from the Company utilizing a combination of co-insurance and modified co-insurance. As of December 31, 2019, this business accounted for ceded reserves of $930,000,000 and in addition, modified co-insurance reserves totaling $230,000,000.

Shades Creek Captive Insurance Company

Shades Creek Captive Insurance Company (Shades Creek) incorporated in Vermont in 2012 and is wholly-owned by PLC. Shades Creek assumes certain guaranteed minimum withdrawal benefits and guaranteed minimum death benefit riders (GMWB and GMDB riders) from PLIC under a co-insurance with funds held agreement, originally effective in 2012. As of December 31, 2019, this business accounts for ceded reserves of $71,000,000. Shades Creek's obligations to the Company are collateralized through a combination of funds withheld and a Letter of Credit (LOC). Vermont insurance regulations allow this LOC to be included as part of Shades Creek's capitalization. Draws under the LOC are subject to certain terms and conditions related to the underlying reinsurance agreements.

Other Considerations

All of the Company's financially significant reinsurance agreements were reviewed during either this or prior examinations and found to contain such language as recommended by the NAIC and as required for reinsurance credit by Tenn. Code Ann. § 56-2-207(a)(2). All agreements also appear to effectuate proper transfer of risk in accordance with Statement of Statutory Accounting Principles (SSAP) No. 61 and NAIC guidelines. In addition, all unauthorized reinsurers have provided LOC's or executed trust agreements with the Company to secure the Company's reinsurance recoverables and reserve credits as of December 31, 2019.

ACCOUNTS AND RECORDS

During the course of the examination, certain balances were tested, and amounts were traced from the Company's trial balance to the annual statement. The Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. The Company's risk-based capital filings were reviewed. These test checks and reviews revealed no material discrepancies.

The Company's books and records are located in Birmingham, Alabama.

MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company, as of December 31, 2019, in conjunction with this examination. The following items were addressed:

Operations and Management Standards

Company antifraud initiatives were examined to determine if they are reasonably designed to prevent, detect, or mitigate fraudulent insurance acts. Company procedures and policies relating to privacy were reviewed to determine compliance with Tenn. Code Ann. § 56-8-104(19). No issues were noted.

Complaint Handling Standards

The Company maintains a complaint register, as required by various state Unfair Trade Practices Acts, and the register and the accompanying files are maintained for a minimum of five (5) years in accordance with statutory requirements. The Company's complaint procedures and complaint register were examined in accordance with requirements of Tenn. Code Ann. § 56-8-104(11) and the NAIC *Market Regulation Handbook* ("Market Handbook") and were found to be in compliance.

Marketing and Sales Standards

A sample of the Company's advertising materials were selected for examination including print, internet materials, and PowerPoint presentations issued by the Company to target consumers, agents, brokers, and financial institutions. Advertising items were examined in accordance with Tenn. Code Ann. § 56-8-104(1) and the Market Handbook, and were found to be in compliance.

Producer Licensing Standards

Tenn. Code Ann. §§ 56-6-101, *et seq*., requires the Company to sell its products and services through producers who are properly licensed and appointed by the Company. In the examination of producer licensing, a random sample of producers were selected, and their state issued licensure and appointment by the Company were verified. Tenn. Code Ann. § 56-6-117 requires the insurer to notify the Commissioner within 30 days following the effective date of the termination of a producer, and the insurer shall mail a copy of the notification to the producer at the producer's last known address.

In the sample of producers examined, one (1) instance was found where the Company terminated a producer for cause, but the Commissioner was not notified in a timely manner. With the exception of the producer terminated for cause, none of the producers terminated by the Company in the sample reviewed were sent a notification. See "Comments and Recommendations" section later in this report.

Policyholder Services Standards

The Company's timeliness of policy issuance, premium billing, response to policyholder requests, provision of adequate disclosures, and compliance with applicable statutes and rules were examined. The Company was found to be in compliance with the relevant market conduct standards.

Underwriting and Rating Standards

In the examination of the Company's underwriting procedures and policy administration, policy files for open and closed policies, for both life and annuity contracts, were reviewed in accordance with Tenn. Code Ann. § 56-8-104, Tenn. Comp. R. & Regs. 0780-01-34, and established Company guidelines. In the examination of these contracts, there were no instances of unfair methods of competition or unfair or deceptive acts found. Underwriting procedures and policy administration conducted by the Company appear to be in compliance with established Company guidelines.

The examiners reviewed a sample of the policy forms that were used by the Company during the period of examination. All forms were noted, without exception, as having been filed with the TDCI prior to their use, in accordance with Tenn. Code Ann. § 56-7-2311(a). The filings are consistent in form and included appropriate documentation.

Claims Handling Standards

In the examination of claims handling practices, the Company's efficiency of claim handling, accuracy of payment, adherence to contract provisions, and compliance with applicable statutes and rules were examined. In conducting the examination, random samples were selected from claims approved and resisted by the Company. The Company's claims were properly documented and handled in accordance with the Company's policy provisions and applicable statutes and rules. No issues or concerns were identified.

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed. No events were noted that required additional disclosure in this examination report. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2019, that could have a material effect on the Company's financial condition. Our review confirmed the Company's disclosures in its 2019 Annual Statement and in its Letter of Representation.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, surplus and other funds, and a summary of operations, as of December 31, 2019, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2019 Annual Statement. *(Note: Immaterial differences in totals are due to rounding.)*

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$41,418,970,202		$41,418,970,202
Preferred stocks	256,833,158		256,833,158
Common stocks	2,254,253,565	689,461,588	1,564,791,977
Mortgage loans on real estate	8,078,689,614		8,078,689,614
Real estate:			
Properties occupied by company	113,038,941		113,038,941
Properties held for income production	3,324,132		3,324,132
Properties held for sale	5,178,674		5,178,674
Cash, cash equivalents, and short-term investment	366,757,772		366,757,772
Contract loans	926,345,370	23,629,527	902,715,844
Derivatives	946,275,987		946,275,987
Other invested assets	618,215,778		618,215,778
Receivables for securities	8,650,016		8,650,016
Securities lending reinvested collateral assets	65,480,496		65,480,496
Aggregate write-ins for invested assets	40,559,857		40,559,857
Investment income due or accrued	501,574,804		501,574,804
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	(132,986,226)	4,039,747	(137,025,973)
Deferred premiums and agents' balances and installments booked but deferred and not yet due	13,517,927		13,517,927
Reinsurance:			
Amounts recoverable from reinsurers	99,590,949	4,319,272	95,271,677
Other amounts receivable under reinsurance contracts	284,884,404	15,654,144	269,230,260
Net deferred tax asset	510,192,354	284,215,442	225,976,912
Guaranty funds receivable or on deposit	3,642,866		3,642,866
Electronic data processing equipment	38,016,430	38,016,430	0
Furniture and equipment	14,551,576	14,551,576	0
Receivables from parent, subsidiaries, affiliates	203,405,448		203,405,448
Healthcare and other receivables	17,034,593	17,034,593	
Aggregate write-ins for other than invested assets	231,525,242	28,634,976	202,890,266
Separate Accounts, Segregated Accounts and Protected Cell	14,592,890,704		14,592,890,704
Totals	$71,480,414,633	$1,119,557,294	$70,360,857,339

LIABILITIES, SURPLUS, AND OTHER FUNDS

Aggregate reserve for life contracts		$39,204,852,751
Aggregate reserve for accident and health contracts		355,808,563
Liability for deposit-type contracts		7,629,547,510
Contract claims:		
Life		369,085,355
Accident and Health		30,802,057
Policyholders' dividends/refunds to members due and unpaid		363,293
Policyholders' dividends and refunds to members apportioned for payment		29,223,579
Premiums and annuity considerations for life and accident and health contracts received in advance		20,087,602
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		101,957,909
Other amounts payable on reinsurance		169,626,033
Interest maintenance reserve (IMR)		1,144,330,123
Commissions to agents due or accrued		21,265,072
Commissions and expense allowances payable on reinsurance assumed		810,461
General expenses due and accrued (net)		59,300,780
Transfers to Separate Accounts due or accrued		(241,814,440)
Taxes, licenses and fees due or accrued		19,449,911
Current federal and foreign income taxes		42,365,811
Unearned investment income		5,453,015
Amounts withheld by company as agent or trustee		33,165,962
Amounts held for agents' account		405,396
Remittances and items not allocated		85,611,126
Borrowed money and interest		270,012,225
Miscellaneous liabilities:		
Asset valuation reserve (AVR)		303,582,207
Reinsurance in unauthorized companies		6,835,035
Funds held under reinsurance treaties		71,756,466
Payable to parent, subsidiaries and affiliates		29,183,811
Funds held under coinsurance		257,372,514
Derivatives		451,920,387
Payable for securities lending		65,480,496
Aggregate write-ins for liabilities		314,380,244
From Separate Accounts Statement		14,592,890,704
Total Liabilities		$65,445,111,960
Common capital stock	$5,000,000	
Surplus notes	110,000,000	
Gross paid in and contributed surplus	2,790,393,339	
Unassigned funds (surplus)	2,010,352,039	
Total Capital and Surplus		4,915,745,379
Totals		$70,360,857,339

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and A&H	$23,428,671,762	
Considerations for supplementary contracts with life contingencies	19,320,767	
Net investment income	2,110,888,443	
Amortization of Interest Maintenance Reserve (IMR)	64,055,969	
Separate Accounts net gain from operations excluding unrealized gains or losses	28,519,872	
Commissions and allowances on reinsurance ceded	488,318,254	
Reserve adjustments on reinsurance ceded	(198,353,944)	
Income from fees associated from investment management, administration, and contract guarantees from Separate Accounts	303,095,480	
Aggregate write-ins for miscellaneous income	347,648,751	
Total Income		26,592,165,353
Death benefits	1,252,057,390	
Matured endowments	4,110,152	
Annuity benefits	607,478,185	
Disability benefits and benefits under A&H contracts	71,321,660	
Coupons, guaranteed annual pure endowments and similar benefits	2,028,536	
Surrender benefits and withdrawals for life contracts	3,206,883,718	
Interest and adjustments on contract funds	244,232,356	
Payment on supplemental contracts with life contingencies	17,793,942	
Increase in aggregate reserves for life and A&H	9,906,293,630	
Total Benefits		15,312,199,568
Commissions on premiums and annuity considerations	323,886,555	
Commissions and allowances on reinsurance assumed	939,656,516	
General insurance expenses	485,758,849	
Taxes, licenses and fees, excluding federal income taxes	76,056,861	
Increase in loading on deferred, uncollected premiums	574,301	
Net transfers for Separate Accounts net of reinsurance	(1,083,158,435)	
Aggregate write-ins for deductions	10,606,818,781	
Total Expenses		26,661,792,998
Net gain from operations before dividends to policyholders and federal income taxes		(69,627,645)
Dividends to policyholders		30,210,038
Net gain from operations after dividends to policyholders and before federal income taxes		(99,837,683)
Federal and foreign income taxes incurred		279,602,721
Net gain from operations after dividends and income taxes and before realized capital gains or (losses)		(379,440,404)
Net realized capital gains or (losses) less capital gain tax		(240,500,982)
Net Income		($619,941,386)

CAPITAL AND SURPLUS ACCOUNT

	2019	2018	2017	2016	2015
Capital and Surplus December 31, previous year	$4,340,273,086	$4,282,276,675	$4,236,899,677	$3,781,923,294	$3,498,906,083
Net income or (loss)	(619,941,385)	321,113,441	731,204,464	(391,563,056)	439,952,633
Change in net unrealized capital gains or (losses)	471,288,037	(216,408,070)	(109,565,888)	(517,895,361)	7,393,052
Change in net deferred income tax	342,565,442	(94,135,056)	(315,116,247)	390,497,898	(8,693,587)
Change in non-admitted assets	(216,332,427)	105,462,469	291,028,192	(332,351,658)	101,012,967
Change in liability for reinsurance in unauthorized companies	(1,838,911)	552,021	(995,426)	(415,720)	177,024
Change in reserve on account of change in valuation basis	(5,484,363)	55,830,779	-	-	-
Change in asset valuation reserve	(103,079,476)	21,511,979	(88,040,852)	(14,634,581)	76,601,653
Surplus withdrawn from Separate Account during the period	28,519,872	(38,794,363)	42,892,892	54,900,910	(88,656,839)
Other changes in surplus in Separate Accounts Statement	(28,519,872)	38,794,363	(42,892,892)	(54,900,910)	88,656,839
Change in surplus notes	-	110,000,000	-	-	-
Surplus adjustment: Paid in	850,000,000	-	-	800,000,000	3,227,191
Surplus adjustment: Change in surplus as result of reinsurance	(168,034,620)	(200,623,922)	(177,671,863)	1,055,648,043	(12,218,274)
Dividend to stockholders	-	-	(303,000,000)	(540,000,000)	(255,000,000)
Aggregate write-ins for gains and losses in surplus	26,329,996	(45,307,229)	17,534,617	5,690,819	(69,435,447)
Net change in capital and surplus for the year	575,472,293	57,996,411	45,376,996	454,976,383	283,017,211
Capital and Surplus December 31, current year	$4,915,745,379	$4,340,273,086	$4,282,276,674	$4,236,899,677	$3,781,923,294

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus	$4,915,745,379

Total capital and surplus, as established by this examination, is the same as what was reported by the Company in its 2019 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2019.

COMMENTS AND RECOMMENDATIONS

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

Comments

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

Recommendations

1. Tenn. Code Ann. § 56-6-117 requires the insurer to notify the Commissioner within 30 days following the effective date of the termination of a producer. In the sample of producers examined, one instance was found where the Company terminated a producer for cause, but the Commissioner was not notified in a timely manner.

   It is recommended that the Company notify the Commissioner of all producer terminations in accordance with Tenn. Code. Ann. 56-6-117.

2. Tenn. Code Ann. § 56-6-117 requires that within 15 days of the insurer notifying the Commissioner of a termination for cause or termination without cause, the insurer shall mail a copy of the notification to the producer at the producer's last known address. With the exception of the producer terminated for cause, none of the producers terminated by the Company in the sample reviewed were sent a notification.

   It is recommended that the Company provide a notification to the producer for all terminations, both for cause and without cause, in accordance with Tenn. Code. Ann. § 56-6-117.

CONCLUSION

Rules and procedures as prescribed by the statutes of the State of Tennessee and guidance from the NAIC Handbook, as deemed appropriate, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Protective Life Insurance Company.

In such manner, it was found that as of December 31, 2019, the Company had admitted assets of $70,360,857,339 and liabilities, exclusive of capital and surplus, of $65,445,111,960. Thus, there existed for the additional protection of the policyholders, the amount of $4,915,745,379 in the form of common capital stock, surplus notes, gross paid in and contributed surplus, and unassigned funds. Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum capital of $1,000,000 and minimum surplus of $1,000,000, respectively. For this examination, as of December 31, 2019, the Company maintains capital and surplus sufficient to satisfy those requirements.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Linda Merriweather CISA, APIR, CGFM; Nneka LaBon; Rhonda Bowling-Black, CFE, ARe, MCM; Insurance Examiners, and Bryant Cummings, CFE, MCM; Assistant Chief Examiner, from the State of Tennessee; Mike Mayberry, FSA, MAAA; and Jessica Lynch, CFE of the actuarial and contracting firm Lewis & Ellis, Inc., Allen, Texas; and Brad Myers, CISA, CISM, CISSP; Lori Brock, CFE, ALMI; and Greg Hahn, CFA of the firm Noble Consulting Services, Inc. participated in the work of this examination.

Respectfully submitted,

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

Ryne Davison, CFE
Examiner-in-Charge
Lewis & Ellis, Inc.
Representing the State of Tennessee

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Protective Life Insurance Company located in Birmingham, Alabama, dated May 17, 2021, and made as of December 31, 2019, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.

Jay Use

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

State Tennessee

County Davidson

Subscribed to and sworn before me

this 24th day of June, 2021

Sarah Carver
(NOTARY)

My Commission Expires: My Commission Expires March 20, 2024

SARAH CARVER
STATE OF TENNESSEE NOTARY PUBLIC
DICKSON COUNTY

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Protective Life Insurance Company located in Birmingham, Alabama, dated May 17, 2021, and made as of December 31, 2019, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.

Ryne Davison, CFE
Examiner-in-Charge
Lewis & Ellis, Inc.
Representing the State of Tennessee

State Mississippi

County Hinds

Subscribed to and sworn before me

this 23rd day of June, 2021

(NOTARY)

My Commission Expires:

STATE OF MISSISSIPPI
NOTARY PUBLIC
ID # 138024
JACK D. WILLIAMS
Commission Expires
July 2, 2023
HINDS COUNTY

EXHIBIT B

Protective Life Insurance Company
Post Office Box 2606
Birmingham, AL 35202
Phone 205 268 1000

Protective.

Charles D. Evers, Jr.
Vice President, Corporate Accounting
205-268-3596
Fax: 205-268-3541
Toll Free 800-866-3555
Email: charles.evers@protective.com

June 28, 2021

E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135

RE: Report of Examination – Protective Life Insurance Company

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Protective Life Insurance Company, made as of December 31, 2019.

By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

Chas. D. Evers, Jr.

Charles D. Evers, Jr.
Vice President, Corporate Accounting