EXHIBIT A

STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY

(NAIC # 68195)
(NAIC Group # 565)

CHATTANOOGA, TENNESSEE

AS OF

DECEMBER 31, 2015

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Chattanooga, Tennessee
May 30, 2017

Honorable Julie Mix McPeak
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with the Tennessee Code Annotated ("Tenn. Code Ann.") § 56-1-408, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope financial examination and market conduct review as of December 31, 2015, has been made of the conditions and affairs of:

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY
NAIC # 68195
NAIC Group # 565
1 Fountain Square
Chattanooga, TN 37402

hereinafter generally referred to as the "Company" or "PLA" 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 NAIC. The examination commenced on May 23, 2016, and was conducted by duly authorized representatives of the TDCI. This examination was called through the NAIC's Financial Examination Electronic Tracking System (FEETS). This examination was not coordinated with any other states which had domiciled companies within the Unum Group ("Unum"). Further description of the coordination effort between the states is discussed below under the heading "Scope of Examination." This examination was made simultaneously with the Company's affiliate, Provident Life and Casualty Insurance Company (PLC).

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2010. This examination covers the period January 1, 2011, through December 31, 2015, 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 Unum. The following are all of the insurance companies and their respective domiciliary states within the group as of December 31, 2015:

Unum Life Insurance Company of America (Maine),
Unum Insurance Company (Maine),
The Paul Revere Life Insurance Company (Massachusetts),
First Unum Life Insurance Company (New York),
Provident Life and Accident Insurance Company (Tennessee),
Provident Life and Casualty Insurance Company (Tennessee),
Colonial Life & Accident Insurance Company (South Carolina),
Northwind Reinsurance Company (Vermont), and
Fairwind Insurance Company (Vermont).

Maine is the lead state in the group. Non-lead states are Massachusetts, New York, Tennessee, South Carolina, and Vermont. Maine, Massachusetts and New York performed a coordinated examination two (2) years prior, as of December 31, 2013. Vermont performed an examination of Northwind Reinsurance Company as of December 31, 2013. South Carolina performed an examination of Colonial Life & Accident Insurance Company as of December 31, 2014.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with the NAIC *Financial Condition Examiners Handbook* ("Handbook"), as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Company as of December 31, 2015. 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.

During planning, all accounts and balances were considered to determine which key activities and accounts would be examined. The key activities included: Investments;

Pricing/Underwriting; Reserving/Claims; Reinsurance Ceded; Related Party; and Capital and Surplus.

The Company's 2015 annual statement was compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology general controls (ITGC) was conducted. The examination included a review of management and organizational controls, logical and physical security controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

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

The Company's parent, Unum, 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 almost entirely 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.

The actuarial firm of Lewis & Ellis, Inc. was utilized in the examination review of the Company's loss reserves.

Independent information technology, reinsurance and investment specialist services, provided by Noble Consulting Services, Inc., were utilized in the examination review of the Company's information technology, reinsurance and investment areas.

Ernst and Young LLP (EY) was the Certified Public Accountant (CPA) and independent auditor for the Company for all years under examination. The CPA's workpapers were reviewed for the 2015 audit and copies were incorporated into the examination, as deemed appropriate.

The Company provided a letter of representation certifying that management has disclosed all significant matters and records.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

There were no comments or recommendations in the prior report.

COMPANY HISTORY

The Company was incorporated in 1887 under the statutes of the State of Tennessee and operated as an assessment company until 1910 when it was reincorporated as a stock company. Initial capital was $150,000 and consisted of one thousand (1,000) shares of common stock with a par value of $100 per share and five hundred (500) shares of 8% cumulative preferred stock with a par value of $100 per share. The preferred stock was retired in 1935. Subsequently, the charter has been amended at various times to increase the authorized capital and to increase or decrease the par value of individual shares. The Company is authorized to write life, disability and credit insurance.

On June 2, 1987, Provident Life and Accident Insurance Company of America (Provident America), a publicly held insurance holding company domiciled in the State of Tennessee, and Provident Life Capital Corporation (PLCC), a Delaware business corporation, were formed. PLCC was formed for the purposes of holding all of the outstanding capital stock of the Company and providing funding for the operations of the Company and its subsidiaries.

Effective September 1, 1987, through a corporate restructure, Provident America became the ultimate parent of the Company.

Effective December 27, 1995, Provident America completed a step in a corporate reorganization which created a new parent holding company, Provident Companies, Inc., a non-insurance holding company domiciled in Delaware.

On June 30, 1999, Unum Corporation merged with and into the Company's parent, Provident Companies, Inc., in an exchange of stock. Following the merger of Unum Corporation and Provident Companies, Inc., resulting in the company known as UnumProvident Corporation (UnumProvident), in June, 1999, the Company became an operating subsidiary of UnumProvident. UnumProvident changed its name effective February 27, 2007, to Unum Group. The Company now operates as a subsidiary of Unum, a non-insurance holding company incorporated in Delaware.

The Company is a stock for-profit life insurance company licensed to transact business in forty-nine (49) states, the District of Columbia and Puerto Rico. The Company's key product is individual disability insurance marketed primarily to employers and multi-life employee groups by the Company's sales force, working in conjunction with independent brokers and consultants.

At December 31, 2015, the Company had authorized capital stock of fifty-five million (55,000,000) shares of common stock with a par value of $1.00 per share, of which forty-three million, five hundred one thousand, two hundred five (43,501,205) shares were issued and outstanding for a capital paid up of $43,501,205. The Paul Revere Life Insurance Company ("Paul Revere") and Unum Life Insurance Company of America ("Unum America") have direct ownership in the Company of ten and one tenth percent (10.1%) and four percent (4.0%), respectively. The remaining eighty-five and nine tenths percent (85.9%) is held by Unum. Unum is the ultimate parent of the Company. Paul Revere and Unum America are included in the Unum holding company group. Unum's stock is publicly traded on the New York Stock Exchange (UNM).

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The Company's Bylaws state that the business and affairs of the corporation shall be managed by a Board of Directors ("Board") who shall be elected at the annual meeting of the shareholders. 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 not less than one (1) nor more than eighteen (18) directors as set forth from time to time by resolution of the Board. 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 on June 10, 2015, and were serving as members of the Board, as of December 31, 2015:

Name	Principal Occupation
Richard P. McKenney	Chairman
Michael Q. Simonds	President and Chief Executive Officer
Lisa G. Iglesias	Executive Vice President, General Counsel
Christopher J. Jerome	Executive Vice President, Global Services
John F. McGarry	Executive Vice President, Finance

The Company's Bylaws require that an annual meeting of the shareholders be held for the purpose of electing directors and for such other business.

The Bylaws allow any action required or permitted to be taken at a meeting of the Board, or of any committee thereof, to be taken without a meeting, if prior to such action, a written consent thereto is signed by all Board or committee members, and such written consent is filed with the minutes of the proceedings. Such consent shall have the same force and effect as a vote at a meeting. Any or all of the directors, or committee members may participate in meetings by means of conference telephone or similar communication equipment.

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 on June 10, 2015 and were serving as officers of the Company, as of December 31, 2015:

Name	Title
Richard P. McKenney	Chairman
Michael Q. Simonds	President and Chief Executive Officer
Lisa G. Iglesias	Executive Vice President, General Counsel
Christopher J. Jerome	Executive Vice President, Global Services
John F. McGarry	Executive Vice President, Finance
Kevin A. McMahon	Senior Vice President, Treasurer
J. Paul Jullienne	Vice President, Managing Counsel, and Corporate Secretary
Stephen J. Mitchell	Senior Vice President, Chief Financial Officer
Vicki W. Corbett	Senior Vice President, Controller
Albert A. Riggieri, Jr.	Senior Vice President, Chief Actuary
Joseph R. Foley	Senior Vice President, Corporate Marketing and Public Relations

Committees

The Board may designate, establish, and charter any committees as it deems necessary. The Company's Board designated two (2) committees during the period of examination: the Executive Committee and the Investment Committee.

Members of the Executive Committee as of December 31, 2015, were:

Richard P. McKenney, Chair
Lisa G. Iglesias
John F. McGarry

Members of the Investment Committee as of December 31, 2015, were:

Breege A. Farrell, Chair	
Kevin A. McMahon	Bill R. Stutts
Ben S. Miller	Ben B. Vance
Stephen J. Mitchell	Thomas A. H. White
J. Matthew Royal	Steven A. Zabel

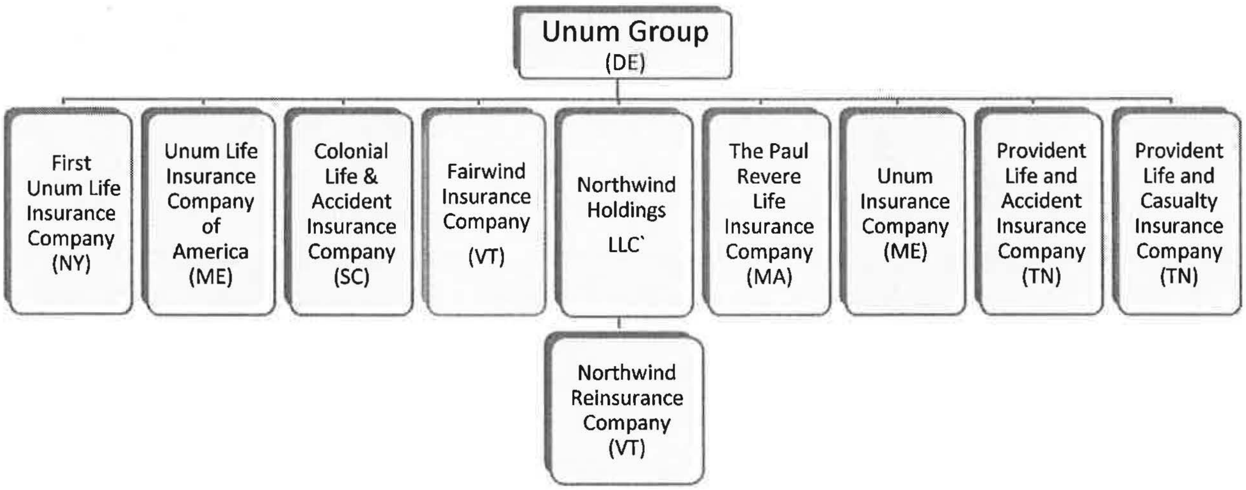
The administrative and executive functions of the Company are performed by staff employed through its parent, Unum, and provided to the Company under the recitals of an administrative agreement between the Company and Unum, as described in this report under the heading "Agreements with Parent and Affiliates."

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.* Two (2) of the Company's affiliates, Paul Revere and Unum America have direct ownership in the Company of ten and one tenth percent (10.1%) and four percent (4.0%), respectively. The remaining eighty-five and nine tenths percent (85.9%) is held by Unum. Unum is the ultimate parent of the Company. Unum files a holding company registration statement annually, as required by Tenn. Code Ann. § 56-11-105.

The following abbreviated organizational chart shows all of the insurance companies and their respective domiciliary states within the Unum Holding Company Group:

Abbreviated Organizational Chart



CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

The Company is required to comply with Tenn. Code Ann. § 56-3-103 prohibiting officers and directors of insurance companies from having a pecuniary interest in the investment or disposition of funds of a domestic insurance company. Unum and all its subsidiaries have adopted a Code of Conduct Policy which requires compliance with laws and regulations applicable to its business. The policy requires all directors and employees to conduct business of the Company on the highest standards of ethics and personal conduct and to be free from both real and perceived conflicting interests and relationships. The policy further requires that all directors and management employees annually report all information required to be reported herein and such other information as may be relevant to determine the existence or likely development of a significant conflict of interest.

The annual conflict of interest disclosure statements filed by the Company's directors, officers, and responsible employees in each year of the examination period were reviewed.

DIVIDENDS

During the period of examination, the Company routinely declared and paid ordinary dividends to its shareholder. Three (3) extraordinary dividends were paid. The

Company complied with the requirements of Tenn. Code Ann. §§ 56-11-105(e) and 56-11-106(b) by notifying the TDCI of declaration of said dividends.

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
2015	O	02/25/2015	$46,000,000
2015	O	05/21/2015	46,000,000
2015	O	08/18/2015	46,000,000
2015	O	11/12/2015	46,000,000
2014	O	02/26/2014	50,000,000
2014	O	05/21/2014	40,000,000
2014	O	08/18/2014	40,000,000
2014	O	11/19/2014	40,000,000
2013	E	03/01/2013	40,000,000
2013	O	05/22/2013	40,000,000
2013	O	08/20/2013	40,000,000
2013	O	11/08/2013	40,000,000
2012	O	02/23/2012	45,000,000
2012	E	05/30/2012	45,000,000
2012	E	08/17/2012	40,000,000
2012	O	11/15/2012	40,000,000
2011	O	02/18/2011	35,000,000
2011	O	05/24/2011	35,000,000
2011	O	08/31/2011	35,000,000
2011	O	11/11/2011	35,000,000
Total paid during period of Exam			$824,000,000

CORPORATE RECORDS

The minutes of meetings of the Company's shareholders, 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).

Charter

The original Charter of the Company was filed with the Tennessee Secretary of State on January 10, 1910. The Charter in effect at December 31, 2015, is the Company's Amended and Restated Charter that was adopted by the Board on September 27, 2005, filed with the Tennessee Secretary of State on November 14, 2005, and filed with the TDCI on April 28, 2006. This restatement of the Charter changed the address of the principal office of the Company, added a registered agent, stated the Company is for-profit, and stated its purpose.

An amendment of the Charter adopted by the Board on September 27, 2010, and approved by the TDCI on November 28, 2011, was non-substantive and deleted references to the parent company's former name, UnumProvident Corporation.

Bylaws

The Bylaws of the Company in effect at December 31, 2015, are the Company's Amended and Restated Bylaws that were adopted by the Board on September 9, 2010. There were only minor changes made to the Company's Bylaws from the version previously in effect since September 27, 2005.

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 three (3) agreements with its parent and affiliated companies in effect, as of December 31, 2015. The following are summaries of the agreements in effect as of the examination date:

General Services Agreement with Unum

Effective April 11, 1998, the Company entered into a General Services Agreement with its parent, Provident Companies, Inc., now known as Unum. According to the terms and provisions of the Agreement, Unum agrees to provide the Company with certain administrative services for its internal operations and processing of its insurance business. Such services include managerial and administrative support, equipment, office space, marketing, product support, and such other services as may be required.

The Company has no employees of its own. All services necessary to its business are provided by Unum pursuant to the Agreement. The compensation paid by the Company to Unum is subject to a quarterly service fee and the actual costs of services provided, based on various allocation factors as specified in the Agreement.

The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1). The Company filed this Agreement for approval by the Commissioner as required by Tenn. Code Ann. § 56-11-106(a)(2) on December 22, 1997. TDCI approved this Agreement on January 5, 1998.

Investment Services Agreement with Affiliate

Effective April 15, 2004, the Company entered into an Investment Management Agreement with an affiliate, Provident Investment Management, LLC.

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. In consideration of the services provided, the Company compensates the investment manager quarterly in the amount of fifteen (15) basis points per annum, based on the average market value of the portfolio as of the last business day of the calendar month in the quarter.

The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1). The Company filed this Agreement for approval by the Commissioner as required by Tenn. Code Ann. § 56-11-106(a)(2) on May 11, 2004. TDCI approved this Agreement on June 30, 2004.

Tax Allocation Agreement with Unum and Affiliates

Effective January 1, 2007, the Company entered into a Tax Allocation Agreement with its parent, Unum, and other affiliated companies. The Agreement states the Company has elected through the provisions of the Internal Revenue Code to be included in its parent's consolidated tax return.

The Agreement states the Consolidated Group elects to file their federal income tax return pursuant to elections under Sections 1502 and 1504(c)(2) of the Internal Revenue Code of 1986. 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 so computed for all members. In lieu of actual payments, adjustments to intercompany payables and receivables are 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). The Company filed this Agreement for approval by the Commissioner as required by Tenn. Code Ann. § 56-11-106(a)(2) on July 13, 2007. TDCI approved this Agreement on August 13, 2007.

FIDELITY BOND AND OTHER INSURANCE

The Company is listed as a named insured on a financial institution bond carried by its parent, Unum, and its subsidiaries. Other insurance policies were reviewed and the Company is listed as a named insured on the following insurance coverages maintained by the Company, as of December 31, 2015:

Fidelity Bond	Foreign Liability
Umbrella Excess	Aviation Insurance
Cyber Coverage	Blended Professional All Carriers
Fine Arts Insurance	Property

The Company's fidelity coverage exceeds the minimum amount suggested in the NAIC Handbook. The bonds and policy 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.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company has no employees. All business functions are performed by Unum under service agreements discussed under the caption, "Agreements with Parent and Affiliates". Unum provides its employees with life insurance, medical insurance, disability insurance, dental insurance, 401(k), and pension plans.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is a stock for-profit life insurance company domiciled in Tennessee and licensed to transact business in forty-nine (49) states, the District of Columbia and Puerto Rico. Certificates of Authority granted by the licensed states were reviewed and found to be in force at December 31, 2015.

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

SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS

State or District	Life Insurance Premiums	Annuity Considerations	A&H Insurance Premiums	Deposit Type Contracts
Alabama	$11,416,819	$586	$14,590,789	
Alaska	(902,336)		1,497,569	
Arizona	4,648,898		11,952,269	

Arkansas	6,869,875		7,214,356	$2,000
California	18,616,569		79,177,146	
Colorado	2,441,752		10,280,680	
Connecticut	2,775,064		10,767,550	
Delaware	542,120		2,298,262	
District of Columbia	752,905		4,672,434	
Florida	19,312,123	44,255	51,003,409	
Georgia	27,890,320	9,312	29,371,401	
Hawaii	1,807,024		4,111,189	
Idaho	594,652	1,081	1,689,807	
Illinois	10,114,105		30,792,185	
Indiana	7,053,235		10,585,752	600
Iowa	2,255,580	380	3,929,314	
Kansas	2,326,961		6,562,164	
Kentucky	4,698,855	2,395	7,809,075	
Louisiana	7,521,955	3,508	10,870,551	
Maine	698,585		3,177,484	
Maryland	7,606,875	249	27,428,137	
Massachusetts	4,096,394	96	26,054,679	
Michigan	9,715,035		32,583,080	
Minnesota	2,048,837		12,835,585	25,000
Mississippi	5,837,503		7,819,807	
Missouri	8,195,119		14,872,572	
Montana	393,094		1,522,427	
Nebraska	1,322,105		3,413,094	
Nevada	1,649,065		3,471,551	
New Hampshire	588,647		3,401,575	
New Jersey	5,265,830		34,918,054	
New Mexico	2,813,924	3,539	2,359,275	
New York	616,518		6,173,376	
North Carolina	28,080,999	6,209	26,036,416	
North Dakota	470,622		753,178	
Ohio	16,756,787		26,729,463	
Oklahoma	2,683,005	628	3,823,488	
Oregon	1,488,617		8,088,441	
Pennsylvania	9,278,585	215	39,932,606	
Rhode Island	350,008		2,172,096	
South Carolina	11,406,979	4,728	12,146,972	
South Dakota	1,288,521		2,570,310	
Tennessee	20,139,176	7,658	18,218,664	
Texas	25,413,286	403	50,128,268	2,160
Utah	988,348		2,492,635	
Vermont	781,985		1,584,218	

Virginia	9,312,355		21,249,796	
Washington	2,271,897		16,607,008	
West Virginia	2,397,747		2,781,564	
Wisconsin	4,384,284	1,740	9,983,342	
Wyoming	445,617		1,018,931	
Guam	3,363		1,920	
Puerto Rico	21,527		226,002	
U. S. Virgin Islands	2,333		32,678	
Northern Mariana Islands	437			
Canada	18,672		132,850	
Aggregate Other Alien	33,718		297,091	
Totals	$319,602,875	$86,982	$726,214,535	$29,760

The Company was licensed in each state or district listed, except New York, Guam, the U. S. Virgin Islands, and Northern Mariana Islands.

PLAN OF OPERATIONS

The Company offers and distributes products that enhance the financial security of its policyholders. Its product offerings include:

- Individual disability
- Group disability
- Individual life
- Group life
- Individual accident and health

The Company's key product is individual disability insurance marketed primarily to employers and multi-life employee groups by the Company's sales force, working in conjunction with independent brokers and consultants.

These products are sold through an employed group of sales representatives marketing products to independent brokers. The brokers are independent of the Company and are free to market and sell products from other insurance providers. Products sold through the independent producer channel include group-based products (paid for by the employer), individual-based products (paid for by the individual or by the employer as an executive benefit), and employee-paid voluntary benefit products.

The Company's operations are managed by line of business: Individual Disability, Group Disability, Individual Life, Individual Accident and Health and Group Life.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination, according to its annual statements as filed with the TDCI:

Year	Admitted Assets	Liabilities	Capital and Surplus	Premiums and Annuity Considerations
2015	$8,325,327,100	$7,597,784,050	$727,543,050	$869,404,653
2014	$8,297,289,793	$7,577,330,750	$719,959,043	$889,814,938
2013	$8,347,582,371	$7,647,874,056	$699,708,316	$898,507,387
2012	$8,452,041,066	$7,809,284,060	$642,757,005	$960,110,200
2011	$8,417,239,993	$7,764,280,465	$652,959,528	$924,917,781

MORTALITY AND LOSS EXPERIENCE

LIFE

The mortality experience on ordinary and group life, including related benefits, as developed from applicable amounts included in the Company's annual statements filed with the TDCI for the years indicated were as follows:

Ordinary Life	2015	2014	2013	2012	2011
Net death benefits incurred	$58,019,216	$62,199,138	$87,783,498	$62,745,540	$57,803,632
Less – reserves released	13,633,745	13,149,800	12,264,806	10,572,872	9,650,674
Actual death benefits incurred	$44,385,471	$49,049,338	$75,518,692	$52,172,668	$48,152,958
Expected mortality	$71,648,049	$71,929,062	$71,815,643	$70,691,791	$69,570,180
Mortality experience ratio	61.95%	68.19%	105.16%	73.80%	69.21%

Group Life	2015	2014	2013	2012	2011
Net death benefits incurred	$11,901,792	$14,423,871	$27,976,772	$26,751,519	$21,909,842
Less – reserves released	675,011	1,660,806	1,144,318	896,543	1,299,732
Actual death benefits incurred	$11,226,781	$12,763,065	$26,832,454	$25,854,976	$20,610,110
Expected mortality	$2,035,323	$2,656,087	$2,173,533	$2,214,203	$2,406,809
Mortality experience ratio	551.60%	480.52%	1,234.51%	1,167.69%	856.33%

A&H

The loss ratios for the Company's group, non-cancelable, and guaranteed renewable business for the years indicated were as follows:

Group A&H	2015	2014	2013	2012	2011
Net incurred claims	$7,403,145	$10,109,997	$12,700,599	$9,546,866	$11,177,334
Net premiums earned	$4,723,538	$9,114,375	$11,598,061	$11,753,529	$12,833,777
Loss experience ratio	156.73%	110.92%	109.51%	81.23%	87.09%

Non-cancelable A&H	2015	2014	2013	2012	2011
Net incurred claims	$58,591,947	$53,909,413	$112,988,557	$102,949,910	$66,747,329
Net premiums earned	$329,781,202	$316,709,327	$306,041,746	$300,210,454	$287,309,574
Loss experience ratio	17.77%	17.02%	36.92%	34.29%	23.23%

Renewable A&H	2015	2014	2013	2012	2011
Net incurred claims	$101,597,860	$109,853,365	$111,380,726	$125,306,524	$118,468,765
Net premiums earned	$255,608,231	$282,065,235	$305,575,785	$354,725,185	$344,557,139
Loss experience ratio	39.75%	38.95%	36.45%	35.32%	34.38%

LONG TERM CARE RESERVES

As of year-end 2015, the Company reported long term care (LTC) reserves in the amount of $463,900,447. The Company utilized cash flow testing (CFT) to determine asset adequacy. As allowed by the Actuarial Opinion and Memorandum Regulation, the Company aggregates the results of its asset adequacy analysis for all of its lines of business in determining reserve adequacy. The aggregated CFT results demonstrate the aggregate reserves held by the Company are adequate. On a stand-alone basis, the CFT for the LTC business indicates reserves are inadequate. Because the Actuarial Opinion and Memorandum Regulation allows for aggregation, no additional CFT reserve was held as of December 31, 2015.

In addition to performing an asset adequacy analysis, the Company performs a gross premium valuation (GPV) for their LTC business on a stand-alone basis, in accordance with SSAP No. 54, to determine if a premium deficiency exists. As of December 31, 2015, the GPV performed by the Company indicated the statutory reserves for the LTC business were adequate by approximately $26 million. During 2016, the Company made routine, annual updates to its GPV assumptions and determined the reserve adequacy margin remains positive at approximately $16 million. Therefore, the Company concluded the LTC reserves reported at years ended December 31, 2015 and 2016 were adequate and no additional reserves were required.

After reviewing the Company's LTC GPV analysis, the examiner was concerned with some of the assumptions utilized in the GPV analysis and the potential impact these assumptions had on determining the reserve adequacy of the LTC Reserves.

The following summarizes the major concerns regarding the assumptions used by the Company in their LTC GPV test.

- Morbidity Improvement Assumption - The Company assumed morbidity improvement related to cognitive claims. This assumption is based on the National Plan to address Alzheimer's Disease, which was launched by the United States Department of Health and Human Services (HHS) with a goal to prevent and effectively treat Alzheimer's by 2025. It is the examiner's opinion the cognitive morbidity improvement assumption lacked conservatism and should be revised and submitted to the TDCI for approval for use in the Company's future GPV and CFT calculations.

- Persistency Assumption – The Company provided an actual to expected termination study related to their LTC business which generated an actual to expected ratio. In their GPV projections, the Company adjusted their lapse rates by the same actual to expected ratio factor in all years. In 2014 and 2015, the Company implemented significant rate increases. As a result, shock lapses increased the actual to expected ratio during this timeframe. The GPV model does include future premium rate increases and therefore, it is appropriate to incorporate a level of shock lapses associated with these premium rate increases. However, the examiner determined the Company should not adjust future lapse experience by the same factor in all years, as this adjustment overstates the lapse assumption in years where there is no premium rate increase anticipated.

- Salvage Assumption – The Company utilizes a salvage assumption in their GPV projections. Appropriately, this assumption only applies to reimbursement type policies. The Company utilized a recent Society of Actuaries' (SOA) study as the basis for this assumption. The salvage factors utilized were aggregated across all ages, policies, claim durations, inflation types, and plan designs. The

Company indicated the data for these types of policies is not credible and therefore cannot split the salvage assumption in more detail. The TDCI recommends the Company perform an independent experience study related to salvage. If the Company continues to use the SOA study, they should incorporate an appropriate margin into the salvage factors utilized in this assumption until sufficient credible data is available to complete an independent experience study.

The TDCI concerns relate to the assumptions used by the Company in its LTC GPV around morbidity improvement, persistency and salvage. The examiner does not have an independent GPV model upon which to rely and thus is not able to determine the impact these assumptions have on the GPV results. However, the examiner could estimate the impact to the GPV reserve related to the morbidity improvement assumption of cognitive claims from 2025-2034. Based upon the claim projections provided by the Company, the estimated impact of removing this assumption is $52 million, which would cause the LTC GPV reserve to be greater than the LTC statutory reserve, and therefore, raises concerns over the adequacy of the LTC statutory reserves. Accordingly, the TDCI should initiate a Limited-Scope Examination to further assess the adequacy of the Company's LTC reserves and appropriateness of the assumptions and methodologies used in the LTC and GPV reserves. See "Comments and Recommendation" section later in this report.

REINSURANCE AGREEMENTS

Assumed Reinsurance

Reinsurance assumed was determined to not represent a core business activity of the Company. The most significant assumed reinsurance balance involves a block of business acquired from John Hancock Life Insurance Company in 1992. The Company has performed all significant administrative functions associated with this block of business since the date of acquisition. At December 31, 2015, the block of business accounted for assumed reserves totaling approximately $118 million, which represents ninety six and two tenths percent (96.2%) of total assumed reinsurance reserves.

Ceded Reinsurance

The Company has reinsurance agreements in effect with numerous external 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, where considered necessary, arranges and maintains collateral arrangements to secure ceded reserve credits. At December 31, 2015, substantially all of the Company's financially significant reinsurers were rated "A-" or better, by A.M. Best, an industry recognized rating agency.

Individual and Group Catastrophe Reinsurance

The most significant current reinsurance coverage maintained by the Company involves a series of catastrophic excess of loss agreements covering group and individual life, group and individual accidental death and dismemberment, personal accident, group and individual disability, and long-term care business products currently marketed by the Company. Under the terms of this arrangement, the Company, together with its affiliate, PLC, reinsures up to $400 million in excess of event retention of $50 million through a series of four (4) layers of coverage. Thereafter, the parties also reinsure forty percent (40%) of the next $300 million in ultimate losses through additional layers of reinsurance.

Legacy Contracts

The Company also has in effect reinsurance ceded arrangements primarily covering strategic exits from various product lines of business written in prior periods. The most significant of these "legacy" arrangements are briefly discussed below.

Life Business

In July 2000, the Company sold one hundred percent (100%) of its individual and corporate life risks to Jackson National Life Insurance. The transaction was structured as a one hundred percent (100%) coinsurance transaction. At December 31, 2015, this contract accounts for ceded reserves totaling $4.0 billion. Since the date of sale, Jackson National has performed all administration of this business and provides the Company all information necessary to populate financial reporting as a reinsurance transaction.

Disability Business

The Company maintains a one hundred percent (100%) coinsurance arrangement with Unum Life Insurance Company of America covering its net retention on all group long-term disability contracts issued prior to 2002. At December 31, 2015, this treaty accounts for ceded reserve credits totaling $163 million.

In addition, the Company maintains a structured reinsurance transaction with an affiliate, Northwind Reinsurance Company, a Vermont captive insurer, covering the run-off of a closed block of individual disability business written prior to January 1, 1994, and all Secure Pak policies issued prior to December 1, 2003. This arrangement has been in effect since 2007 and is structured through a modified co-insurance arrangement covering reserves totaling $ 3.1 billion at December 31, 2015.

Through an arrangement with National Indemnity Company (NICO) in 2004, the Company has maintained a non-proportional reinsurance treaty to reinsure a closed block of individual disability income (IDI) policies issued or assumed by the Company prior to January 1, 1994. Under this arrangement NICO assumes sixty-six and sixty-seven one hundredths percent (66.67%) of all claim payments in excess of a defined retention balance. At inception of the treaty the baseline retention balance was set at $330 million and continues to increase with premium and interest credits and diminish with paid claims. Once the retention balance reaches zero, NICO will reimburse the Company for sixty-six and sixty-seven one hundredths percent (66.67%) of all future paid claims up to limits defined in the treaty. At December 31, 2015, the ceded reserves credit of $634 million represents the present value of claim reimbursements that the Company expects to receive in the future from NICO once the retention balance reduces to zero.

The Company also has reinsurance arrangements with two companies, Swiss Re Life & Health and Westport Insurance Corporation, covering various disability income products written by the Company. These contracts have each been closed to new business cessions for an extended period of time and are essentially in run-off. The agreements with Swiss Re Life & Health were effective in 1984 and 1994, and account for ceded reserve credits totaling $124 and $66 million, respectively, at December 31, 2015. The agreement with Westport Reinsurance Corporation was effective in 1992 and accounts for ceded reserve credits totaling $109 million, at December 31, 2015.

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.

LITIGATION AND CONTINGENT LIABILITIES

During the period of examination, and as of December 31, 2015, the Company is party to various pending legal proceedings arising in the ordinary course of business. Based upon the opinion of its counsel as to the ultimate disposition of such lawsuits and claims, Company management believes that the liability, if any, resulting from the disposition of such proceedings will not be material to the Company's financial condition or results of operations.

During the period of examination and as of December 31, 2015, the Company entered into a number of contingent commitments and guarantees. The Company's 2015

Annual Statement, Notes to Financial Statements, Notes 14, 15, and 21(C) provide a description of the contingent commitments and guarantees the Company has entered into as of December 31, 2015. A review of these notes did not disclose anything that would have an adverse effect upon the Company.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the jurisdictions or custodians named below, as of December 31, 2015.

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	Book/Adjusted Carrying Value	Fair Value	Par Value (Dollars)
Tennessee Department of Insurance	US TREASURY BOND 8.750%, Due 8-15-20 CUSIP# 912810EG9	$1,024,270	$1,309,800	$1,000,000
	US TREASURY BOND 7.500%, Due 11-15-16 CUSIP# 912810DX3	598,995	634,242	600,000
Subtotal		$1,623,265	$1,944,042	$1,600,000

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

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value (Dollars)
Georgia Department of Insurance	US TREASURY BOND 8.750%, Due 05-15-20 CUSIP# 912810EF1	$102,853	$129,560	$100,000
New Mexico Department of Insurance	US TREASURY BOND 8.750%, Due 05-15-20 CUSIP# 912810EF1	164,565	207,296	160,000
North Carolina Department of Insurance	US TREASURY BOND 8.750%, Due 05-15-20 CUSIP# 912810EF1	138,852	174,906	135,000
	US TREASURY BOND 8.750%, Due 08-15-20 CUSIP# 912810EG9	231,663	294,705	225,000

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value (Dollars)
Virginia Department of Insurance	US TREASURY BOND 7.125%, Due 02-15-23 CUSIP# 912810EP9	252,415	333,675	250,000
Puerto Rico Department of Insurance	Puerto Rico Comwlth 5.500%, Due 07-01-21 CUSIP# 745145R46	375,000	375,000	500,000
	Puerto Rico Elec PWR 5.500%, Due 07-01-20 CUSIP# 74526QPU0	527,029	514,410	500,000
Subtotal		1,792,377	2,029,552	1,870,000
Grand Total		**$3,415,642**	**$3,973,594**	**$3,470,000**

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

ACCOUNTS AND RECORDS

Tenn. Comp. R. & Regs. 0780-01-65-.08(4), 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 five (5) consecutive years. The Company is audited annually by EY, and is in compliance with this regulation.

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

The Company's books and records are located in Chattanooga, Tennessee.

MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company, as of December 31, 2015, in conjunction with this examination. The following market conduct areas were reviewed:

Operations and Management Standards

Company antifraud initiatives were examined to determine if they are reasonably calculated to prevent, detect, or mitigate fraudulent insurance acts. Company procedures and policies relating to privacy were reviewed to determine compliance with applicable statutes, rules, and regulations. 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 2015 *Market Regulation Handbook,* and were found to be in full compliance.

Marketing and Sales Standards

Advertising items were selected for examination including print, internet materials, and power point presentations issued by the Company to target consumers, agents, brokers, and financial institutions. Advertising items were examined in accordance with Tenn. Code Ann. § 56-8-104(1) and the NAIC *Market Regulation Handbook* (Chapter 16 – Marketing and Sales) and were found to be in compliance.

The Company was found to have strong controls in place for the production and use of all advertising materials, with only company approved materials authorized for use. In the examination of the Company's Advertising Log, the log was found to have identified all of the advertising used during the period of examination with each record showing when each version of each advertisement was first used, when each was discontinued, and in which markets each advertisement was used.

Producer Licensing Standards

Tenn. Code Ann. §§ 56-6-101, *et seq.*, requires the Company sell their 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 was verified. As a result of examination, no issues or concerns were identified.

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 documents.

Claims Review

In the examination of claims handling practices, the Company's efficiency of 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 with benefits payments and claims denied 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. Our review confirmed the Company's disclosures in its 2015 Annual Statement and in its Letter of Representation. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2015, that could have a material effect on the Company's financial condition.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a summary of operations as of December 31, 2015, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2015 Annual Statement.

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$6,714,722,209		$6,714,722,209
Preferred stocks	78,605,874		78,605,874
Common stocks	14,554,600		14,554,600
Mortgage loans on real estate	442,125,930		442,125,930
Real estate:			
Properties occupied by company	65,800,519		65,800,519
Properties held for income production	10,460,226		10,460,226
Cash and short-term investments	98,545,682		98,545,682
Contract loans	136,244,802		136,244,802
Derivatives	20,844,669		20,844,669
Other invested assets	166,446,070		166,446,070
Receivables for securities	799		799
Securities lending reinvested collateral assets	595,068		595,068
Investment income due or accrued	107,335,500		107,335,500
Premiums and considerations:			
Uncollected premiums and agents balances in the course of collection	53,844,387	$8,488,764	45,355,623
Deferred premiums not yet due	25,755,755		25,755,755
Accrued retrospective premium	51,994		51,994
Amounts recoverable from reinsurers	57,101,712		57,101,712
Other amounts receivable under reinsurance contracts	5,932,654		5,932,654
Amounts receivable uninsured plans	40,581		40,581
Current federal income tax recoverable	34,943		34,943
Net deferred tax asset	297,717,135	159,917,652	137,799,483
Guaranty funds receivable	2,692,486		2,692,486
Furniture and equipment	5,670,515	5,670,515	
Healthcare and other receivable	16,356,150	16,356,150	
Aggregate write-ins for other assets	194,279,921		194,279,921
Totals	$8,515,760,181	$190,433,081	$8,325,327,100

LIABILITIES, SURPLUS, AND OTHER FUNDS

Aggregate reserve for life contracts		$2,102,301,238
Aggregate reserve for accident and health contracts		4,919,023,811
Liability for deposit-type contracts		113,303,224
Contract claims:		
Life		15,542,405
Accident and Health		44,774,690
Premiums and annuity considerations for life and accident and health contracts received in advance		14,128,115
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		2,280,381
Other amounts payable on reinsurance		53,107,633
Interest maintenance reserve (IMR)		54,823,989
Commissions to agents due or accrued		19,457,655
General expenses due and accrued		1,125,179
Taxes, licenses and fees due or accrued		2,844,992
Amounts withheld by company as agent or trustee		513,021
Remittances and items not allocated		36,670,560
Miscellaneous liabilities:		
Asset valuation reserve (AVR)		80,379,297
Reinsurance in unauthorized companies		2,155
Payable to parent, subsidiaries and affiliates		57,663,305
Liability for amounts held under uninsured plans		24,532
Derivatives		16,733,698
Payable for securities lending		595,068
Aggregate write-ins for liabilities		62,489,102
Total Liabilities		$7,597,784,050
Common capital stock	$43,501,205	
Aggregate write-ins: deferred gain on reinsurance transactions	36,890,140	
Gross paid in and contributed surplus	271,208,526	
Unassigned funds (surplus)	375,943,179	
Total Capital and Surplus		727,543,050
Totals		$8,325,327,100

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and A&H	$869,404,653	
Net investment income	460,455,264	
Amortization of interest maintenance reserve (IMR)	10,374,266	
Commissions and allowances on reinsurance ceded	56,532,693	
Reserve adjustments on reinsurance ceded	(140,001,182)	
Aggregate write-ins for miscellaneous income	25,001,945	
Total Income		$1,281,767,639
Death benefits	69,921,008	
Annuity benefits	79,155,134	
Disability benefits and benefits under A&H contracts	213,948,063	
Surrender benefits and withdrawals for life contracts	65,654,509	
Group conversions	(14,322)	
Interest and adjustments on contract funds	1,573,147	
Payment on supplemental contracts with life contingencies	608,087	
Increase in aggregate reserves for life and A&H	(18,137,296)	
Total Benefits		412,708,330
Commissions on premiums and annuity considerations	164,423,495	
Commissions and allowances on reinsurance assumed	543,375	
General insurance expenses	195,831,440	
Taxes, licenses and fees, excluding federal income taxes	30,009,533	
Increase in loading on deferred, uncollected premiums	6,343,100	
Net transfers from separate accounts net of reinsurance		
Aggregate write-ins for deductions	199,685,632	
Total Expenses		1,009,544,905
Net gain from operations before dividends to policyholders and federal income taxes		272,222,734
Dividends to policyholders		0
Net gain from operations after dividends to policyholders and before federal income taxes		272,222,734
Federal and foreign income taxes incurred		78,408,559
Net gain from operations after dividends and income taxes and before realized capital gains or (losses)		193,814,175
Net realized capital gains or (losses) less capital gain tax		(14,891,268)
Net Income		$178,922,907

CAPITAL AND SURPLUS ACCOUNT

	2015	2014	2013	2012	2011
Capital and Surplus December 31, previous year	$719,959,043	$699,708,316	$642,757,005	$652,959,528	$654,631,504
Net income or (loss)	178,922,907	187,050,096	166,432,504	168,880,475	170,389,615
Change in net unrealized capital gains or (losses)	(139,550)	(3,074,668)	(412,905)	507,365	(2,486,774)
Change in net unrealized foreign exchange capital gain (loss)	12,744,976	5,859,890	5,885,136	328,780	(3,574,261)
Change in net deferred income tax	9,192,399	803,644	(11,055,556)	(10,791,506)	1,505,060
Change in non-admitted assets	(471,510)	(6,646,324)	10,029,443	17,512,295	6,366,353
Change in liability for reinsurance in unauthorized companies	423	220,629	5,667,101	7,525,420	(13,382,820)
Change in reserve on account of change in valuation basis			56,810,574	12,194,859	(1,778,421)
Change in asset valuation reserve	1,498,131	3,237,231	(1,685,279)	(2,478,752)	(3,535,005)
Cumulative effect of change in accounting principles		15,079,547		(16,911,185)	
Change in surplus as result reinsurance	(10,163,769)	(12,279,318)	(14,719,707)	(16,970,274)	(19,277,151)
Dividends to stockholders	(184,000,000)	(170,000,000)	(160,000,000)	(170,000,000)	(140,000,000)
Aggregate write-ins: change in admitted deferred tax asset					4,101,428
Net change in capital and surplus for the year	7,584,007	20,250,727	56,951,311	(10,202,523)	(1,671,976)
Capital and Surplus December 31, current year	$727,543,050	$719,959,043	$699,708,316	$642,757,005	$652,959,528

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus $727,543,050

Total capital and surplus, as established by this examination, is the same as what was reported by the Company in its 2015 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2015.

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

LTC Reserves – For a more complete discussion of this issue, refer to the section "Long Term Care Reserves" earlier in this report.

The following recommendations were noted during the completion of this examination:

- The Company's cognitive morbidity improvement assumption should be revised and submitted to the TDCI for approval for use in the Company's future GPV and CFT calculations.
- The Company should adjust assumptions around future lapses to account for the impact of past rate increases which would not be expected to repeat in the future.
- The Company should perform an independent experience study related to salvage, or if the Company continues to use the Society of Actuaries' study, they should incorporate an appropriate margin into the salvage factors utilized, until there is sufficient credible data to conduct the independent experience study.
- The Company should revise and submit its LTC Reserving Methodologies to the TDCI for review and approval.

Due to the findings and concerns related to the GPV assumptions utilized by the Company, the TDCI should initiate a Limited-Scope Examination to further assess the adequacy of the Company's LTC reserves and appropriateness of the assumptions and methodologies used by the Company in its LTC reserves and GPV reserves.

CONCLUSION

The customary insurance examination practices and procedures, as promulgated by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Provident Life and Accident Insurance Company.

In such manner, it was found that, as of December 31, 2015, the Company had admitted assets of $8,325,327,100 and liabilities, exclusive of capital and surplus, of $7,597,784,050. Thus, there existed for the additional protection of the policyholders, the amount of $727,543,050 in the form of common capital stock, aggregate write-ins for other than special surplus funds, gross paid in and contributed surplus, and unassigned funds. Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum capital of $1,000,000 and minimum surplus of $1,000,000. For this examination, as of December 31, 2015, the Company maintains capital and surplus in excess of the amounts required pursuant to Tenn. Code Ann. §§ 56-2-114 and 56-2-115.

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, Leah Thomas, CFE, MCM, Alisha Pruitt, and James Pearce, Insurance Examiners; and Bryant Cummings, CFE, MCM, Assistant Chief Examiner, from the State of Tennessee; Mike Mayberry, FSA, MAAA, of the actuarial firm Lewis & Ellis, Inc., Richardson, Texas; Jim Ryan, CFE, CPA, ARA, Are; Greg Hahn, CFA; Brad Myers CISA, CISM, CISSP; and Victoria Chi, CISA, CISM, CRISC, CGEIT, CRMA, of the contracting firm Noble Consulting Services, Indianapolis, Indiana participated in the work of this examination.

Respectfully submitted,

Jay Use

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

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Provident Life and Accident Insurance Company located in Chattanooga, Tennessee, dated May 30, 2017, and made as of December 31, 2015, 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 Useltn

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

State Tennessee

County Davidson

Subscribed to and sworn before me

this 27th day of June, 2017

Mindy C. Walker
(NOTARY)

My Commission Expires: 7-6-2020

MINDY C WALKER
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
MY COMMISSION EXPIRES 7-6-2020

EXHIBIT B

2211 Congress Street
Portland, ME 04122
207 575 2211
unum.com

June 29, 2017

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

RE: Report of Examination
Provident Life and Accident Insurance Company as of December 31, 2015

Dear Ms. Little:

Please be advised that we acknowledge receipt of the final Report of Examination for **Provident Life and Accident Insurance Company as of December 31, 2015**. By signing below, we indicate acceptance of the Report. Please find attached our written response to the Report which provides further clarification to the comments noted on pages 16-18 and 30.

The company would like to thank you and your examination team again for the courtesy the Department and examiners extended to us during the course of the examination and the finalizing of the Report.

If you have any questions, please feel free to contact me directly at (803) 678-6435.

Sincerely,

Wendy Nesmith

Wendy Nesmith, MCM
Assistant Vice President
Market Conduct, Complaints and Regulatory Affairs

unum

1 Fountain Square
Chattanooga, TN 37402

June 29, 2017

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

RE: Report of Examination – **Provident Life and Accident Insurance Company**

Dear Ms. Little:

We respectfully submit this written response to the Final Report of the Examination for Provident Life and Accident Insurance Company (Company) as of December 31, 2015 (Report). In particular, we offer further clarification to the comments noted on pages 16-18 and 30 pertaining to the Company's reserves for Long Term Care (LTC) contracts.

The Company tests for reserve adequacy at the aggregate level for both active life and claim reserves. We also conduct a gross premium valuation (GPV) for our LTC business on a stand-alone basis to determine if a premium deficiency exists. Per our analysis as of December 31, 2015, our GPV analysis showed an adequacy of $26 million, a value which stood at $16 million as of December 31, 2016. We continue to believe that the assumptions used for our analysis as of year-end 2016 remain appropriate, despite the concerns expressed in the Report. We recognize that there is uncertainty regarding how experience for our LTC block will ultimately emerge. We continually and closely monitor trends in our own block as well as industry experience and evolving research and make adjustments as warranted to ensure reserves are adequate. We are committed to working with the Tennessee Department of Commerce and Insurance (TDCI) to ensure our reserves, assumptions and methodologies are appropriate.

We would like to specifically respond to comments raised in the Report related to the following assumptions:

- ***Morbidity Improvement Assumption:***

Our GPV analysis assumes the same level of morbidity improvement for all causes through 2024 of the outlook period, followed by a higher improvement for cognitive causes only for the period beginning in 2025 and through 2034. These assumptions in total equate to an overall improvement level across all causes through 2034 that is <u>lower</u> than Unum's observed experience over the 2008 to 2016 period. In addition, our cognitive improvement assumption is closely aligned with the improvements observed and documented in the respected 2016 Eric Stallard study at Duke University over a 20 year experience period. Finally, our improvement assumption is well within the range of assumptions Milliman has observed in a 2016 market survey of morbidity and mortality assumptions utilized in reserve valuation and related adequacy testing by other carriers in the long term care industry. (This study was Authored By Allen J. Schmitz, Daniel A. Nitz, Tim F. Kempen and published August 2016.) We feel our assumptions with respect to morbidity improvement remain reasonable and well aligned with market standards. We have evaluated the impact on our reported GPV results for two alternatives noted above applied for the period beginning in 2017 through 2026 to be as follows:

1. Unum 2008-2016 Incidence A/E Trend $(5.7)M
2. Stallard's Study Improvement $ 5.0M

These alternatives would reflect additional, favorable impacts if evaluated past 2026 and are notably less than the estimated impacts noted in the Report, which were admittedly derived without access to a robust GPV model.

Persistency Assumption:

Our GPV analysis assumes a level of lapsation based upon experience observed over the period 2008 – 2016. The Report raised concerns that this experience period has been overly influenced by lapses triggered by recent rate increase experience. The suggestion was made that the experience around rate increases should be excluded from the lapse rates used for periods without an explicit rate increase assumption.

While we recognize that certain years (especially 2014) were likely impacted by rate increase implications on persistency, results in other years (notably 2008) saw abnormally low rates of lapsation. The lapse study covered a significant timeframe (9 years) with notable volatility in experience, which we attribute in part to the presence of employer level terminations for this block (a majority of this block is multi-life, voluntary coverage with premiums paid via payroll deduction). Given that our most recent experience years continue to show a higher than average level of lapses and that we expect to continue to pursue rate increases into the foreseeable future, we believe our current methodology of using a long term average of experience is appropriate.

Salvage Assumption:

Our GPV analysis considers the impact of incurring claim payments less than stipulated benefit levels in our LTC reimbursement type policies. This salvage assumption has two components: a) the initial benefit utilization, and b) the future cost of care inflation trends. Our GPV analysis assumes an initial level of benefit utilization based upon a Society of Actuaries (SOA) study due to a lack of credible Company experience and the relatively low level of reimbursement policies within our LTC portfolio. We agree with the Report's suggestion and plan to complete an experience study when credible experience data becomes available. In the interim, we intend to continue to utilize the SOA data. We agree that our GPV assumptions should include a margin above what is reflected in the SOA study data and in fact we have included significant margins for these reasons. For the second component of this salvage assumption, the future cost of care inflation trends assumed are higher than recently published data for inflation trends which has the effect of including a margin for conservatism in this assumption. We believe our current approach in setting our salvage assumption has appropriate margins in both of these assumption components.

<u>Conclusion</u>

We remain committed to continuing to closely monitor our LTC experience and reserve adequacy position. We look forward to continuing to work with the TDCI on a limited scope review to ensure our reserves; assumptions and methodology are well understood and are determined by TDCI to be appropriate, adequate and compliant with all applicable regulations and guidelines.

Sincerely,

Michael R. Celichowski

Michael R. Celichowski, FSA, MAAA
VP, Corporate Actuary and PLA Appointed Actuary
Unum Group