



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
PROVIDENT LIFE AND CASUALTY INSURANCE COMPANY
(NAIC # 68209)
CHATTANOOGA, TENNESSEE

AS OF
DECEMBER 31, 2018

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Chattanooga, Tennessee
June 17, 2020

Honorable Hodgen M. Mainda
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, 2018, has been made of the conditions and affairs of:

PROVIDENT LIFE AND CASUALTY INSURANCE COMPANY

NAIC # 68209
1 Fountain Square
Chattanooga, TN 37402

hereinafter referred to as the “Company” or “PLC” and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or “Department”). The examination was conducted by duly authorized representatives of the Department. This examination was coordinated with other states pursuant to National Association of Insurance Commissioners (NAIC) guidelines. 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 Accident Insurance Company (PLA).

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2015. This examination covers the period January 1, 2016, through December 31, 2018, 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 Unum Group. The following are all of the insurance companies and their respective domiciliary states within the group, as of December 31, 2018:

- Unum Life Insurance Company of America (Maine)
- Unum Insurance Company (Maine)
- Starmount Life 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)
- Fairwind Insurance Company (Vermont)

Maine is the Lead State of the Unum Group. Participating states in the coordinated group examination were Massachusetts, New York, and Tennessee. Non-participating states were South Carolina 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, 2018. 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: Investments; Reinsurance; Premium/Underwriting; Reserves/Claims; Related Party; and Capital and Surplus.

The Company's 2018 annual statement was compared with or reconciled to the corresponding general ledger account balances.

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

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 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).

The actuarial firm 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 key activities.

The Company's Certified Public Accountant workpapers were reviewed for the 2018 audit and copies were incorporated into the examination, as deemed appropriate.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

There were no comments or recommendations noted in the prior examination report as of December 31, 2015.

COMPANY HISTORY

The Company was incorporated on October 17, 1951, under the statutes of the State of Tennessee. Initial capital was \$350,000 and consisted of three thousand five hundred (3,500) shares of common stock with a par value of \$100 per share. 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 was organized originally for the purpose of writing business in the State of New York although its operations have since been extended to other jurisdictions. The Company is authorized to write life and disability insurance.

On December 22, 1995, the Company's parent at that time, PLA, contributed all of the stock of the Company to Provident Life Capital Corporation as an extraordinary dividend.

In March 1996, Provident Life Capital Corporation was dissolved, and its assets and liabilities were distributed to and assumed by Provident Companies, Inc.

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 becoming known as UnumProvident Corporation ("UnumProvident"), in June 1999, PLC became an operating subsidiary of UnumProvident. UnumProvident changed its name effective February 27, 2007, to Unum Group ("Unum"). 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 the District of Columbia and thirty-one (31) states. The Company is a New York marketing arm of its parent, Unum, which traditionally has focused its activities in the individual disability income market and offers the same products as an affiliate, PLA. 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, 2018, the Company had authorized capital stock of twelve thousand (12,000) shares of common stock with a par value of \$150 per share. All twelve thousand (12,000) shares were issued and outstanding, for a capital paid up of \$1,800,000. Unum is the ultimate parent of the Company, as it holds all of the outstanding shares. Unum's stock (UNM) is publicly traded on the New York Stock Exchange.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The Company is managed by a Board of Directors ("Board") who shall be elected at the annual meeting of the shareholders. Directors need not be shareholders of the corporation.

The Company had five (5) directors, as of December 31, 2018. A majority of directors constitutes a quorum. Directors serve until the next annual meeting of the shareholders, and thereafter, until replaced.

The following persons were duly elected by the shareholder and were serving as members of the Board, as of December 31, 2018:

<u>Name</u>	<u>Principal Occupation</u>
Michael Quinn Simonds	President and Chief Executive Officer
Puneet Bhasin	EVP, Chief Information and Digital Officer
Lisa Gonzalez Iglesias	EVP, General Counsel
John Francis McGarry	EVP, Finance
Stephen Joseph Mitchell	SVP, Chief Financial Officer

Officers

The Company has ten (10) officers. The officers are elected during the annual Board meeting, and serve thereafter, until replaced. The following officers were duly elected by the Board and were serving as officers of the Company, as of December 31, 2018:

<u>Name</u>	<u>Title</u>
Michael Quinn Simonds	President and Chief Executive Officer
Puneet Bhasin	EVP, Chief Information and Digital Officer
Lisa Gonzalez Iglesias	EVP, General Counsel
John Francis McGarry	EVP, Finance
Stephen Joseph Mitchell	SVP, Chief Financial Officer
Marylou Ryan Murphy	SVP, Chief Actuary
Cherie Antoinette Pashley	SVP, Tax and Treasury
Daniel Jason Waxenberg	SVP, Chief Accounting Officer
Jean Paul Jullienne	VP, Managing Counsel and Corporate Secretary
Benjamin Seth Katz	VP, Treasurer

Committees

The Company has the following committees:

PLC Committees

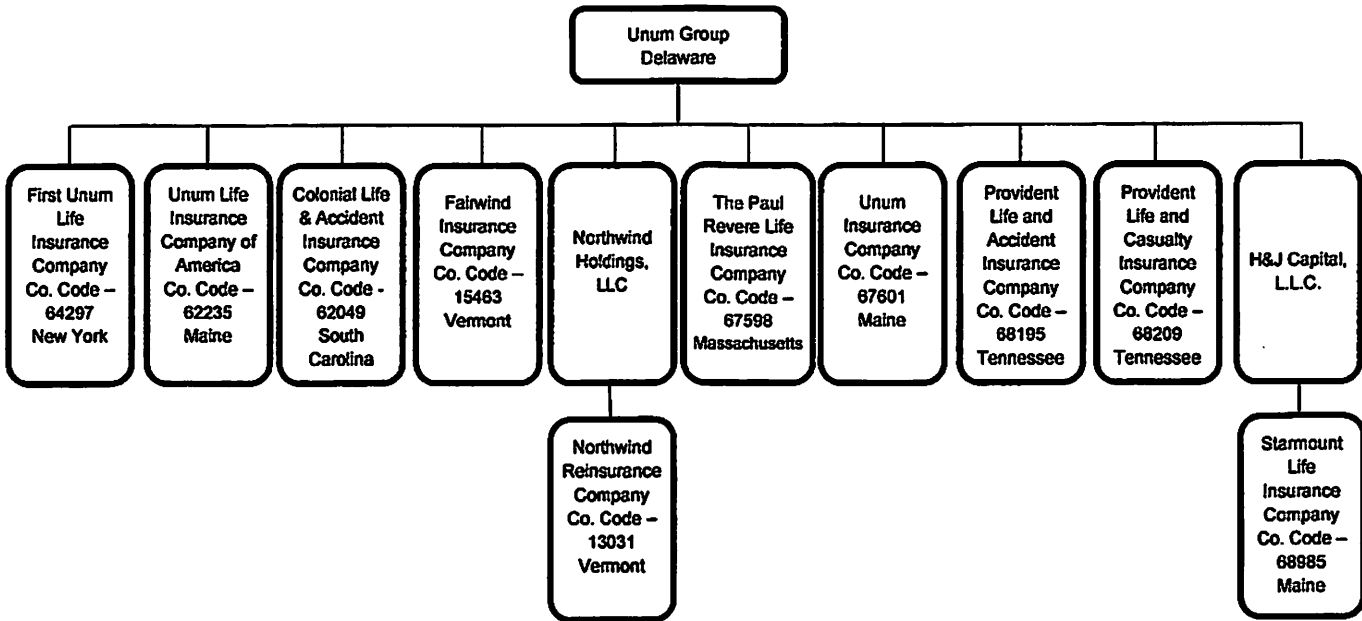
Audit
Executive
Investment

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.* Unum, the ultimate parent of the Company, 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 of the insurance companies and their respective domiciliary states within the Unum Group insurance holding company system:



DIVIDENDS

During the period of examination, the Company declared and paid dividends to its shareholder. The Company gave proper notice 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.

<u>Year</u>	<u>Ordinary (O) or Extraordinary (E)</u>	<u>Notification Date</u>	<u>Dividend Amount</u>
2018	O	11/09/2018	\$14,900,000
2018	O	05/25/2018	11,000,000
2017	O	11/10/2017	14,000,000
2016	E	11/14/2016	<u>20,000,000</u>
Total paid during period of Exam			<u>\$59,900,000</u>

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 original Charter of the Company was filed with the Tennessee Secretary of State on October 16, 1951. The Charter in effect at December 31, 2018, 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. No amendments or restatements were made to the Company's Charter during the period of examination.

The Bylaws of the Company in effect at December 31, 2018, are the Company's Amended and Restated Bylaws that were adopted by the Board on November 14, 2016. The amendment to the Bylaws provided authority for certain officers to sign documents on behalf of the Company in certain circumstances. 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 the following significant agreements with its parent and affiliated companies in effect, as of December 31, 2018:

General Services Agreement

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. The TDCI approved this Agreement on January 5, 1998.

Investment Services Agreement

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.

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. The TDCI approved this Agreement on June 30, 2004.

Tax Sharing Agreement

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 its 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. The TDCI approved this Agreement on August 13, 2007.

TERRITORY AND PLAN OF OPERATION

TERRITORY

The Company is a stock for-profit life insurance company domiciled in Tennessee and is licensed to transact business in the District of Columbia and thirty-one (31) states. Certificates of Authority granted by the licensed states were reviewed and found to be in force at December 31, 2018.

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

The Company is a New York marketing arm of its parent, Unum, that has traditionally focused its activities in the individual disability income market and offered the same products as an affiliate, PLA. The Company's key product is individual disability insurance marketed by the Company's employed group of sales representatives working in conjunction with independent brokers and consultants. The producers are independent of the Company and are free to market and sell products from other insurance providers. Individual disability income insurance is sold primarily to multi-life employer groups to supplement their group disability plans and may be funded by the employer, but the policy is owned by the employee.

In addition, voluntary group supplemental health products are sold to groups of employees through payroll deduction at the workplace. The voluntary benefits portfolio includes group critical illness and group accident insurance. Group dental and group vision products are also marketed to employer groups.

The Company's operations are managed by line of business: Individual Disability, Voluntary Benefits, Group Dental, and Group Vision.

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:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2018	\$736,033,668	\$604,855,830	\$131,177,838	\$94,826,177	\$6,104,676
2017	\$746,724,142	\$596,558,124	\$150,166,019	\$92,164,026	\$26,028,927
2016	\$753,232,419	\$611,523,035	\$141,709,384	\$90,296,918	\$13,713,911

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:

<u>Group A&H</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net incurred claims	\$1,191,342	\$1,918,631	\$1,236,746
Net premiums earned	\$187,462	\$108,632	\$195,925
Loss experience ratio	635.51%	1,766.17%	631.23%

<u>Non-cancelable A&H</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net incurred claims	\$83,989,063	\$61,480,993	\$75,149,897
Net premiums earned	\$91,624,683	\$88,575,166	\$86,344,484
Loss experience ratio	91.67%	69.41%	87.03%

<u>Renewable A&H</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net incurred claims	\$2,712,885	\$417,652	\$1,650,261
Net premiums earned	\$1,964,044	\$2,023,589	\$2,117,740
Loss experience ratio	138.13%	20.64%	77.93%

REINSURANCE AGREEMENTS

Assumed Reinsurance

Reinsurance assumed was determined to not represent a core business activity of the Company. The only significant assumed reinsurance balances involve two (2) blocks acquired in the early 1990's. The first block is accident and health business acquired from Nationwide Insurance Company in 1991. At December 31, 2018, the block of business accounted for assumed reserves totaling approximately \$23.6 million. The second block of business also involves accident and health business acquired from John Hancock Life Insurance Company of New York in 1992. At December 31, 2018, the block of business accounted for assumed reserves totaling approximately \$24.3 million.

The Company has performed all significant administrative functions associated with these blocks of business since the date of acquisition. Together, the blocks represent one hundred percent (100%) 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, 2018, 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, group and individual disability, and individual and group long-term care business products currently marketed by the Company.

Legacy Contracts

The Company 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, 2018, this contract accounts for ceded reserves totaling \$22.7 million. 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 has two (2) reinsurance arrangements with Swiss Re Life & Health, effective in 1984 and 1994, respectively, 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. Collectively, these contracts account for ceded reserve credits totaling \$17.4 million, at December 31, 2018.

The Company also maintains a modified co-insurance arrangement with M-Life Insurance Company covering a ten percent (10%) share of its individual disability risks issued prior to 2002. At December 31, 2018, this treaty accounts for modified co-insurance reserves totaling \$5.4 million.

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 Statement of Statutory Accounting Principles (SSAP) No. 61 and NAIC guidelines.

ACCOUNTS AND RECORDS

During the course of the examination, certain balances were tested, and amounts were traced from the Company's trial balance to the annual statement. All 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, 2018, 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 (Chapter 16 – Marketing and Sales) and were found to be in compliance.

Producer Licensing Standards

As noted in the "Territory and Plan of Operation" section of this report, the Company is a New York marketing arm of its parent, Unum Group. As such, it reported no actively appointed producers in Tennessee.

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, 2018, that could have a material effect on the Company's financial condition. Our review confirmed the Company's disclosures in its 2018 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, 2018, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2018 Annual Statement.

ASSETS

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$673,256,829		\$673,256,829
Mortgage loans on real estate	33,925,133		33,925,133
Cash and cash equivalents	1,449,449		1,449,449
Contract loans	1,430,765		1,430,765
Other invested assets	9,956,704		9,956,704
Investment income due or accrued	9,186,149		9,186,149
Premiums and considerations:			
Uncollected premiums and agents balances in the course of collection	2,569,181	\$475,989	2,093,193
Deferred premiums and agent's balances and installments booked but deferred and not yet due	941		941
Reinsurance:			
Amounts recoverable from reinsurers	781,256		781,256
Other amounts receivable under reinsurance contracts	331,973		331,973
Net deferred tax asset	10,436,575	7,420,276	3,016,299
Guaranty funds receivable or on deposit	291,494		291,494
Healthcare and other receivables	272,111	272,111	0
Aggregate write-ins for other than invested assets	<u>313,484</u>	<u>0</u>	<u>313,484</u>
Totals	<u>\$744,202,044</u>	<u>\$8,168,376</u>	<u>\$736,033,668</u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

Aggregate reserve for life contracts		\$15,112,032
Aggregate reserve for accident and health contracts		562,516,971
Liability for deposit-type contracts		176,522
Contract claims:		
Life		193,145
Accident and Health		5,226,576
Premiums and annuity considerations for life and accident and health contracts received in advance		1,493,016
Contract liabilities not included elsewhere:		
Other amounts payable on reinsurance		421,185
Interest maintenance reserve (IMR)		4,855,775
Commissions to agents due or accrued		3,039,984
Commissions and expense allowances payable on reinsurance assumed		497
General expenses due or accrued		1,000
Taxes, licenses and fees		326,076
Current federal and foreign income taxes		3,594,878
Remittances and items not allocated		58,053
Miscellaneous liabilities:		
Asset valuation reserve (AVR)		5,803,525
Payable to parent, subsidiaries and affiliates		1,777,418
Aggregate write-ins for liabilities		<u>259,176</u>
Total Liabilities		\$604,855,830
Common capital stock	\$1,800,000	
Aggregate write-ins other than special surplus funds	128,821	
Gross paid in and contributed surplus	51,600,000	
Unassigned funds (surplus)	<u>77,649,017</u>	
Total Capital and Surplus		<u>131,177,838</u>
Totals		<u>\$736,033,668</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and A&H	\$94,826,177	
Net investment income	39,956,591	
Amortization of interest maintenance reserve (IMR)	418,787	
Commissions and allowances on reinsurance ceded	850,486	
Reserve adjustments on reinsurance ceded	244,094	
Aggregate write-ins for miscellaneous income	<u>752,414</u>	
Total Income		\$137,048,549
Death benefits	1,454,914	
Disability benefits and benefits under A&H contracts	80,205,348	
Surrender benefits and withdrawals for life contracts	549,962	
Group conversions	58,937	
Interest and adjustments on contract funds	2,417	
Increase in aggregate reserves for life and A&H	<u>7,763,088</u>	
Total Benefits		90,034,666
Commissions on premiums and annuity considerations	17,616,350	
Commissions and allowances on reinsurance assumed	125,794	
General insurance expenses	16,088,121	
Taxes, licenses and fees, excluding federal income taxes	3,494,298	
Increase in loading on deferred, uncollected premiums	63	
Aggregate write-ins for deductions	<u>237,828</u>	
Total Expenses		<u>127,597,120</u>
Net gain from operations before dividends to policyholders and federal income taxes		9,451,429
Dividends to policyholders		<u>0</u>
Net gain from operations after dividends to policyholders and before federal income taxes		9,451,429
Federal and foreign income taxes incurred		<u>2,710,124</u>
Net gain from operations after dividends and income taxes and before realized capital gains or (losses)		6,741,305
Net realized capital gains or (losses) less capital gain tax		<u>(636,628)</u>
Net Income		<u>\$6,104,676</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital and Surplus			
December 31, previous year	<u>\$150,166,019</u>	<u>\$141,709,384</u>	<u>\$147,205,729</u>
Net income or (loss)	6,104,676	26,028,927	13,713,911
Change in net deferred income tax	1,440,070	(6,948,149)	985,382
Change in non-admitted assets	(1,512,391)	2,209,186	(166,490)
Change in liability for reinsurance in unauthorized companies	0	63,944	165,883
Change in asset valuation reserve	925,469	1,159,643	(125,268)
Change in surplus as result of reinsurance	(46,005)	(56,918)	(69,764)
Dividends to stockholders	<u>(25,900,000)</u>	<u>(14,000,000)</u>	<u>(20,000,000)</u>
Net change in capital and surplus for the year	<u>(18,988,180)</u>	<u>8,456,635</u>	<u>(5,496,346)</u>
Capital and Surplus			
December 31, current year	<u>\$131,177,838</u>	<u>\$150,166,019</u>	<u>\$141,709,384</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$131,177,838

Total capital and surplus, as established by this examination, is the same as what was reported by the Company in its 2018 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2018.

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

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

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 Provident Life and Casualty Insurance Company.

In such manner, it was found that as of December 31, 2018, the Company had admitted assets of \$736,033,668 and liabilities, exclusive of capital and surplus, of \$604,855,830. Thus, there existed for the additional protection of the policyholders, the amount of \$131,177,838 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, 2018, 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, Daniel Clements, CPA; Trang Truong, CPA, CIA; Dustin Rice, Linda Merriweather, CISA, CGFM; Rhonda Bowling-Black, CFE, ARe, MCM; Shelli Isiminger, FLMI, AIRC, ACS, MCM, CICSR, APIR, AIE; Insurance Examiners, and Bryant Cummings, CFE, MCM; Assistant Chief Examiner, from the State of Tennessee; Mike Mayberry, FSA, MAAA; Brian Rankin, FSA, MAAA; Linh Nguyen, FSA, MAAA; Jennifer Allen, ASA, MAAA; Kevin Rugeberg, ASA, MAAA; and Ann Dang of the actuarial firm Lewis & Ellis, Inc., Richardson, Texas; participated in the work of this examination.


Respectfully submitted,



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 Casualty Insurance Company located in Chattanooga, Tennessee, dated June 17, 2020, and made as of December 31, 2018, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.



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

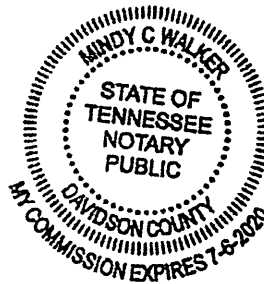
State Tennessee

County Davidson

Subscribed to and sworn before me

this 26th day of June, 2020

Mindy C. Walker
(NOTARY)



My Commission Expires: 7.6.2020

EXHIBIT B



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

June 29, 2020

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 – Provident Life and Casualty Insurance Company

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination Provident Life and Casualty Insurance Company, made as of December 31, 2018.

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

Sincerely,

A handwritten signature in cursive script that reads "Anita Y. Cooke".

Anita Y. Cooke
Manager, Market Conduct and Regulatory Affairs
Provident Life and Casualty Insurance Company