

**REPORT ON EXAMINATION**  
**of the**  
**PROVIDENT LIFE AND CASUALTY INSURANCE COMPANY**

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Dept. of Commerce & Insurance  
Company Examinations

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**Chattanooga, Tennessee 37402**

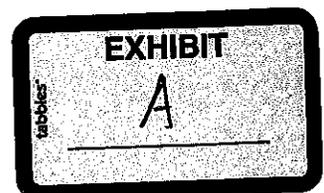
**as of**

**December 31, 2010**

**DEPARTMENT OF COMMERCE AND INSURANCE**

**STATE OF TENNESSEE**

**NASHVILLE, TENNESSEE**



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STATE OF TENNESSEE  
DEPARTMENT OF COMMERCE AND INSURANCE  
INSURANCE DIVISION  
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NASHVILLE, TENNESSEE 37243-1135

Chattanooga, Tennessee  
June 11, 2012

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Commissioners:

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

**PROVIDENT LIFE AND CASUALTY INSURANCE COMPANY**  
**CHATTANOOGA, TENNESSEE**

as of December 31, 2010 (the "Company" or "PLC").

## **INTRODUCTION**

This examination was arranged by the Department of Commerce and Insurance of the State of Tennessee (TDCI or Department) under rules promulgated by the NAIC. It was commenced on June 6, 2011, and was conducted by duly authorized representatives of the TDCI. Due to the Company being licensed in many states, this examination is classified as an Association examination and therefore was called through the NAIC's Examination Tracking System. Notice of intent to participate was received from Delaware. Delaware sent two zone examiners and one Information Systems Specialist who participated in the completion of this examination. This examination was made simultaneously with the Company's affiliate, Provident Life and Accident Insurance Company (PLA). Further description of the coordination effort between the States is discussed below under the heading "SCOPE OF EXAMINATION."

The previous examination was made as of December 31, 2005, by examiners of the State of Tennessee. The report on examination contained a few comments and recommendations which required corrective action by the Company. The Company has corrected all of the issues noted in the last report. See Comments - Previous Examination section included under Scope of Examination on page 4.

## **SCOPE OF EXAMINATION**

This examination covers the period January 1, 2006 through December 31, 2010 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 Unum Group: Unum Life Insurance Company of America (Maine), The Paul Revere Life Insurance Company (Massachusetts), The Paul Revere Variable Annuity Insurance Company (Massachusetts), Provident Life and Accident Insurance Company (Tennessee), Provident Life and Casualty Insurance Company (Tennessee), Colonial Life & Accident Insurance Company (South Carolina), Tailwind Reinsurance Company (South Carolina), First Unum Life Insurance Company (New York), and Northwind Reinsurance Company (Vermont).

Maine is the lead State in the Unum Group. Massachusetts, Tennessee, South Carolina, New York and Vermont are all non-lead States in the Unum Group. All of the other States in the coordinated group had recently performed exams on their respective insurers (last 2 years); Tennessee and Vermont were the only States performing exams in the group as of 2010. South Carolina completed an examination on Colonial Life & Accident Insurance Company as of 2009. Maine has been performing exams on their Company every three years and is scheduled to perform their next exam as of 2011.

During planning, the examiners reviewed all accounts and balances and determined the activities and accounts that were key for the Company and which would be examined in the PLC examination. The key activities and material accounts within them included Premiums, Underwriting, Claims Handling, Reinsurance Ceded, Reserves, Investments, and Taxes.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of Tennessee, the Company's state of domicile and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination was conducted in accordance with the *NAIC Financial Condition Examiners Handbook*. The examination was planned and performed to evaluate the financial condition of the Company as of December 31, 2010, and to identify prospective risks by obtaining information about the companies (PLC and PLA), including the corporate governance of the holding company, Unum Group (Unum), by identifying and assessing inherent risks within the companies 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.

The Company's 2010 annual statement was compared with or reconciled to the corresponding general ledger account balances.

An examination of Unum's information systems (IS) was conducted concurrently with the financial examinations by the Delaware IS examiner. All the Company's in the Unum Group use the same computer information systems. The IS examination included a review of management and organizational controls, logical and physical security controls, changes in applications 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. The examination included a review of the Companies' underwriting and rating, policy forms and filings, advertising, policyholder complaints, and a claims review. See the heading "MARKET CONDUCT ACTIVITIES" on page 13 for further discussion of the Company's market conduct review.

Unum maintains an Internal Audit (IA) Department, which is charged with performing the internal audit function for all companies within the holding company system. The IA Department is subject to oversight by Unum's Audit Committee which is comprised of all outside directors. Reports generated by the IA Department were made available to the examiners and were used in the examination as deemed appropriate. In addition, Unum maintains a SOX Department that is responsible for the testing and documentation of all processes, the risks for each, and all mitigating controls over those risks as required by Sarbanes-Oxley (SOX) 404. The examiners reviewed the

processes tested and requested the work papers for specific ones which had been identified as significant to the key activities and sub-activities being examined. The work papers were provided and were utilized where deemed appropriate.

Independent actuaries were utilized in the review of the Company's loss reserves. In addition, independent reinsurance specialists were utilized in the review of the Company's reinsurance agreements and overall reinsurance program.

Ernst & Young, LLP was the certified public accountants (CPAs) and independent auditor for all the companies in the coordinated group for all years under examination. The examiners reviewed the CPAs' work papers for all years, copies of which were incorporated into the examination as deemed appropriate.

A letter of representation, dated as of the date of this report and certifying that management has disclosed all significant matters and records, was obtained from management and has been included in the work papers of this examination.

#### Comments - Previous Examination

The previous examination report as of December 31, 2005 made one (1) recommendation, which the Company was directed to correct within 30 days as stipulated in the Examination Report Order. The Company has stated that they have corrected the recommendation. Below is a description of the prior examination report's recommendation with the Company's response received during this examination:

#### Prior Recommendation:

1. The Company was directed to comply with TENN. COMP. R. & REGS. § 0780-1-69-.01(1)(d) by increasing its claim reserves in 2007 by at least \$8,960,671 in order to cover the deficiencies noted in the examination report.

#### Company's Response:

In response to the PLC final exam report, the Company submitted to the TDCI, a formal response and further clarification pertaining to the Company's aggregate reserve for accident and health contracts. The Company explained that they had demonstrated reserve adequacy as of 12/31/05 through cash flow testing which indicated a margin of \$522.8 million in the reserves. Given that reserves are adequate and meet minimum reserve requirements, in the aggregate, the Company said that they believe they have appropriately concluded that its reserves meet Tennessee reserve requirements. The Company also explained how a Schedule H runoff test may indicate there is a short term runoff loss in the claim reserves, but it does not indicate a reserve deficiency. However, the Company took action related to restructuring their claim reserves in 2007, which increased their claim reserves and reduced the schedule H deficiencies.

An examination was also made into the following matters:

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

These will be discussed as follows:

### **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 3,500 shares of common stock with a par value of \$100 each 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, Provident Life and Accident Insurance Company (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. in June, 1999, Provident Life and Casualty Insurance Company became

an operating subsidiary of Unum Group (formerly Unum Provident) which is the holding company. Unum Provident changed its name effective February 27, 2007 to Unum Group. The Company now operates as a subsidiary of Unum Group (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, including the State of New York. 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 offered 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, 2010, the Company had authorized capital stock of 12,000 shares of common stock with a par value of \$150 per share, of which 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 is publicly traded on the New York Stock Exchange (UNM).

The Company's capital structure appears in the 2010 Annual Statement as follows:

Common capital stock	\$1,800,000
Aggregate write-ins for other than special surplus funds	968,640
Gross paid in and contributed surplus	51,600,000
Aggregate write-ins for special surplus funds	4,142,385
Unassigned funds (surplus)	<u>84,064,598</u>
Total capital and surplus	<u>\$142,575,623</u>

### 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 and Annuity Considerations</u>
2006	\$665,245,383	\$564,781,009	\$100,464,374	\$75,643,884
2007	685,522,271	586,475,886	99,046,385	79,037,362
2008	701,112,146	580,030,210	121,081,935	83,439,550
2009	722,009,736	591,782,679	130,227,056	86,624,818
2010	747,239,475	604,663,852	142,575,623	84,036,501

## CHARTER AND BYLAWS

The original Charter of the Company was filed with the Tennessee Secretary of State on October 16, 1951. The Charter of the Company in effect at December 31, 2010, is the Company's Amended and Restated Charter that was adopted by the Board of Directors 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.

The restated Charter stated the Company's name, address, registered agent, purpose, shares of stock and that the corporation is for profit among other general details. The general provisions and powers enumerated in the Company's Charter are usual in nature and consistent with statute.

No amendments or restatements were made to the Company's Charter during the period of this examination. However, subsequent to our examination as of date, the Company did have a non-significant Charter amendment during 2011. The amendments were non-substantive and deleted references to the parent company's former name, UnumProvident Corporation.

The Bylaws of the Company in effect at December 31, 2010, are the Company's Amended and Restated Bylaws that were adopted by the Board of Directors on September 9, 2010. There were only minor changes made to the Company's Bylaws from the one (1) previously in effect since September 27, 2005. This was the only change to the Company's Bylaws during the period of this examination.

The Bylaws provide for an annual shareholders' meeting at which a Board of Directors is elected. Officers are elected by the Board of Directors. 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 of Directors and its shareholders.

### Dividends to Stockholders:

The Company did not have any dividends to stockholders during the period of this examination.

## MANAGEMENT AND CONTROL

The Company's Bylaws state that the business and affairs of the corporation shall be managed by a Board of Directors 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) members as set forth from time to time by resolution of the Board of Directors. 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 8, 2010, and were serving as members of the Board of Directors as of December 31, 2010:

<b><u>Name</u></b>	<b><u>Title:</u></b>
Kevin Paul McCarthy	President and CEO
Elmer Liston Bishop III	Executive VP and General Counsel
Robert O'Hara Best	Executive VP, Global Business Technology
Thomas Ros Watjen	Chairman
Richard Paul McKenney	Executive VP, 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 shall be held at such place, either within or without the State of Tennessee, on such date and at such time as the Board of Directors shall designate.

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 proceedings. Such consent shall have the same force and effect as a vote at a meeting. Any or all of the stockholders, directors, or committee members may participate in meetings by means of conference telephone or similar communication equipment.

The Bylaws provide that the officers of the corporation shall consist of a President and a Secretary and such other officers or assistant officers, including Chairman of the Board, Vice Presidents and Treasurer, as may be designated and elected by the Board of Directors. One person may simultaneously hold more than one office except the President may not simultaneously hold the office of Secretary.

The following senior persons were duly elected by the Board of Directors on June 8, 2010, and were serving as officers of the Company as of December 31, 2010:

<b><u>Name:</u></b>	<b><u>Title</u></b>
Thomas Ros Watjen	Chairman
Kevin Paul McCarthy	President and CEO
Robert O'Hara Best	Executive VP, Global Business Technology
Kevin Ambrose McMahan	Senior VP and Treasurer
Vicki Wright Corbett	Senior VP and Controller
Albert Angelo Riggieri, Jr.	Senior VP, Chief Actuary and Appointed Actuary
Richard Paul McKenney	Executive VP, Finance
Elmer Liston Bishop III	Executive VP and General Counsel
Joseph Richard Foley	Senior VP and Chief Marketing Officer

Roger Luc Martin  
Susan Nance Roth

Senior VP and Chief Financial Officer  
VP, Transactions, SEC and Corporate Secretary

The Board of Directors may designate, establish and charter such committees as it deems necessary or desirable, each comprised of one (1) or more directors. Committees which exercise powers of the Board of Directors are the executive and investment committees. Members of these committees at the examination date were as follows:

**Executive Committee**

Thomas Ros Watjen \*  
Elmer Liston Bishop III  
Richard Paul McKenney

\* - denotes committee chairman

**Investment Committee**

David G. Fussell \*  
Jacquie Curness  
Richard Paul McKenney  
Kevin A. McMahon  
Susan N. Roth  
Michael Simonds  
Michael G. Temple  
Thomas A. H. White

\* - denotes committee chairman

### **HOLDING COMPANY SYSTEM**

The Company is a member of an insurance holding company system as defined by TENN. CODE ANN. § 56-11-101, and as such, is subject to the "Insurance Holding Company System Act of 1986," set forth in TENN. CODE ANN. § 56-11-101, *et seq.* . The Company operates as a subsidiary of Unum, a non-insurance holding company incorporated in Delaware. Unum is the ultimate parent of the Company as it holds all of the outstanding shares. Unum's stock is publicly traded on the New York Stock Exchange (Symbol: UNM). An organizational chart is included at the end of this report.

The following are all of the insurance companies and their respective domiciliary States within the Unum Holding Company Group: Unum Life Insurance Company of America (Maine), The Paul Revere Life Insurance Company (Massachusetts), The Paul Revere Variable Annuity Insurance Company (Massachusetts), Provident Life and Accident Insurance Company (Tennessee), Provident Life and Casualty Insurance Company (Tennessee), Colonial Life & Accident Insurance Company (South Carolina), Tailwind Reinsurance Company (South Carolina), First Unum Life Insurance Company (New York), and Northwind Reinsurance Company (Vermont).

## PECUNIARY INTEREST OF OFFICERS AND DIRECTORS

The Company is required to comply with TENN. CODE ANN. § 56-3-103 prohibiting officers and directors of insurance companies from being pecuniarily interested in the investment or disposition of funds of a domestic insurance company. Unum and all its subsidiaries have adopted a Code of Conduct Policy that requires all companies to be in compliance with all laws and regulations that are applicable to its business at all governmental levels. The policy requires that all directors and employees should conduct business of the Company on the highest ethical level and be free from conflicting interests and relationships, and it requires that all directors and management employees report once each year 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. No conflicts were noted.

## CORPORATE RECORDS

The minutes of meetings of the Company's shareholders, Board of Directors, and committees were reviewed for the period under examination. They were found to be 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.

## FIDELITY BOND AND OTHER INSURANCE

The Company is listed as a named insured on a Financial Institution Bond carried by Unum. Other insurance policies were reviewed and the Company is listed as a named insured on the following insurance coverages maintained by Unum at December 31, 2010:

Commercial General Liability	Commercial Property Liability
Commercial General Liability - Umbrella	Business Automobile Liability
Fiduciary Liability	Directors and Officers Liability
Financial Institution Bond	Errors and Omissions Liability
Worker's Compensation	Employment Practices Liability
Aviation Liability	Foreign Liability
Fine Arts	Cyber Risk

The Company's fidelity coverage is in excess of the suggested minimum amount per the *NAIC Financial Condition Examiners Handbook*. The bonds and policies affording the aforementioned coverages were inspected and appear to be in-force as of the date of this examination. All of the above policies were issued by companies licensed to transact business in the State of Tennessee or by

authorized surplus lines insurers. Similar coverage was in effect as of the date of this examination report.

## **EMPLOYEE BENEFITS AND PENSION PLANS**

The Company receives certain management, administrative and general services from Unum in accordance with the Administrative Services Agreement that is described later in the report under the heading Agreements with Parent, Subsidiaries and Affiliates. Unum provides its employees and employees of its subsidiaries with life insurance, medical insurance, disability insurance, dental insurance, 401(k) and stock ownership and pension plans.

## **TERRITORY AND PLAN OF OPERATION**

### Territory:

The Company is a stock for profit life insurance Company licensed to transact business in the District of Columbia and thirty-one (31) states, including the State of New York. Certificates of Authority granted by the licensed states were reviewed and found to be in force at year-end 2010.

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, which traditionally has 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 primarily to employers and multi-life employee groups by the Company's sales force, working in conjunction with independent brokers and consultants.

The Company has used and continues to use as its primary method of distribution an employed group of sales representatives marketing products to independent brokers. The independent producers 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. The Company writes a variety of insurance coverages including Individual Disability Income, Group Disability, Individual Life and Group Life.

**SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS**

<u>State</u>	<u>Licensed? (Yes or No)</u>	<u>Life Insurance Premiums</u>	<u>Annuity Considerations</u>	<u>A&amp;H Insurance Premiums</u>
Alabama	NO	\$23,500	\$0	\$86,238
Alaska	YES	2,630	0	26,321
Arizona	NO	2,555	0	233,792
Arkansas	YES	283	0	17,401
California	NO	35,939	0	1,284,941
Colorado	YES	43	0	221,745
Connecticut	YES	25,041	0	3,058,316
Delaware	YES	280	0	61,630
District of Columbia	YES	0	0	368,053
Florida	NO	19,207	0	1,521,256
Georgia	YES	6,074	0	645,208
Hawaii	YES	1,181	0	52,074
Idaho	YES	736	0	12,166
Illinois	YES	12,297	0	1,107,341
Indiana	NO	385	0	111,416
Iowa	YES	289	0	47,693
Kansas	NO	6,324	0	123,915
Kentucky	YES	929	0	61,812
Louisiana	YES	3,310	0	82,266
Maine	NO	1,641	0	28,205
Maryland	NO	1,967	0	936,745
Massachusetts	YES	37,950	0	1,141,178
Michigan	NO	1,448	0	292,811
Minnesota	NO	369	0	273,586
Mississippi	YES	0	0	36,268
Missouri	YES	2,661	0	192,446
Montana	NO	0	0	7,938
Nebraska	YES	0	0	28,425
Nevada	NO	3,500	0	87,239
New Hampshire	YES	416	0	134,983
New Jersey	YES	142,575	0	7,061,870
New Mexico	YES	953	0	42,771
New York	YES	3,597,577	0	46,719,694
North Carolina	YES	12,719	0	392,872
North Dakota	YES	0	0	6,264
Ohio	YES	2,870	0	567,518
Oklahoma	YES	370	0	63,618
Oregon	NO	1,867	0	66,729
Pennsylvania	YES	43,297	0	1,818,201
Rhode Island	YES	0	0	88,237
South Carolina	YES	3,895	0	104,141
South Dakota	YES	0	0	17,715
Tennessee	YES	64,839	0	160,352
Texas	NO	24,732	0	1,170,643
Utah	NO	0	0	71,303
Vermont	NO	52	0	42,621
Virginia	YES	4,952	0	1,103,156
Washington	YES	8,581	0	214,583

West Virginia	NO	728	0	25,837
Wisconsin	NO	353	0	106,705
Wyoming	NO	0	0	11,551
Puerto Rico	NO	1,092	0	7,708
U. S. Virgin Islands	NO	0	0	0
Canada	NO	0	0	23,159
Aggregate Other	XXX	156	0	8,806
Total Direct Business		<u>\$4,102,565</u>	<u>\$0</u>	<u>\$72,179,463</u>

## MARKET CONDUCT ACTIVITIES

In accordance with the policy of the TDCI, a market conduct review was made of the Company as of December 31, 2010, in conjunction with this examination. The following items were addressed:

### Underwriting and Rating:

The Company maintains and utilizes its own underwriting manual to assess and classify life and accident and health insurance risks. The underwriting manual provided by the Company was reviewed as part of the examination and found to be a reliable underwriting source. The Company's underwriting manual is frequently updated based on current statutory requirements. The Company's use of this underwriting source, results in a uniform and efficient determination of acceptable risk.

In the examination of the Company's underwriting procedures and policy administration, policy files for open in-force policies for both life and accident and health contracts were reviewed in accordance with statutory requirements of TENN. CODE ANN. § 56-8-104, TENN. COMP. R. & REGS. § 0780-1-34, and established Company guidance. A statistical sample number of policies were selected at random to review. 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 guidance.

### Policy Forms and Filings:

The examiners reviewed a sample of the policy forms that were used by the Company during the period of examination. All forms reviewed 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 include appropriate documentation.

### Advertising:

In the examination of Company advertising, twenty (20) advertising items were selected for examination that included print and internet materials, and power point presentations issued by the Company to target consumers, agents, brokers and employers. 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.

Policyholder Complaints:

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 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 2010 Market Regulation Handbook and were found to be in full compliance.

A random sample of fifteen (15) Company complaint files was selected for examination. The average complaint processing time was reasonable and in compliance with statutory time limits of various states.

Claims Review:

A sample of twenty (20) Company claims open and unpaid as of the examination date and another sample of twenty (20) closed claims during 2010 were examined for adequacy of the Company's claim process in accordance with TENN. CODE ANN. § 56-8-105 and requirements listed in Chapter 16 (Claim Standards) of the NAIC 2010 Market Regulation Handbook.

- In the review of each file, beneficiary changes were traced from the date of issue to date of death with final payment made by the Company in all cases without error.
- In the review of all file material Company actions and dates were readily ascertained.
- Company calculations of benefits payable including any adjustment for policy loans, loan interest, premium refunds and interest payments were found to be well documented and accurate.
- Claims in the sample were properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.

## 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:

<u>Ordinary Life</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net Death Benefits Incurred	34,777	99,848	461,914	471,994	143,625
Less - Reserves Released by Death	<u>52,878</u>	<u>43,509</u>	<u>16,218</u>	<u>5,106</u>	<u>45,940</u>
Actual Death Benefits Incurred	(18,101)	56,339	445,696	466,888	97,685
Expected Mortality	1,113,921	1,171,262	1,244,698	942,876	687,033
Mortality Experience Ratio	(.0162)	.0481	.3580	.4951	.1421
 <u>Group Life</u>	 <u>2010</u>	 <u>2009</u>	 <u>2008</u>	 <u>2007</u>	 <u>2006</u>
Net Death Benefits Incurred	187,067	672,269	650,946	1,879,766	741,719
Less - Reserves Released by Death	<u>00</u>	<u>00</u>	<u>2,976</u>	<u>00</u>	<u>7,866</u>
Actual Death Benefits Incurred	187,067	672,269	647,970	1,879,766	733,853
Expected Mortality	315	5,013	2,788	13,196	7,185
Mortality Experience Ratio	593.8634	134.1051	232.4139	142.4496	102.1368

### A&H:

The loss ratios on the Company's Group, Non-Cancelable and Guaranteed Renewable business for the years indicated were as follows:

<u>Group A&amp;H</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net Incurred Claims	567,778	279,331	403,315	2,747,234	6,371,547
Net Premiums Earned	2,261,065	2,469,626	427,340	522,831	356,900
Loss Experience Ratio	.2511	.1131	.9437	5.2545	17.8524
 <u>Non-Cancelable A&amp;H</u>					
Net Incurred Claims	83,182,758	84,610,524	62,578,185	75,057,208	65,944,713
Net Premiums Earned	74,748,324	76,250,170	75,123,250	71,424,729	68,600,147
Loss Experience Ratio	1.1128	1.1096	.8330	1.0508	.9612
 <u>Guaranteed Renewable A&amp;H</u>					
Net Incurred Claims	2,414,396	1,061,617	663,598	1,578,472	745,184
Net Premiums Earned	2,972,299	3,240,353	3,431,163	3,501,190	3,406,119
Loss Experience Ratio	.8122	.3276	.1934	.4508	.2187

## REINSURANCE AGREEMENTS

The Company routinely assumes and cedes reinsurance with other insurance companies. The Company's significant reinsurance agreements are summarized below.

### Assumed Reinsurance with Non-Affiliates:

#### John Hancock Mutual Life Insurance Company:

Effective Date: August 1, 1992  
Description: An automatic coinsurance agreement whereby the company assumes individual disability risks.  
Maximum Ceded Amounts: 100% of policy liabilities

#### Nationwide Life Insurance Company of America:

Effective Date: July 1, 1991  
Description: A coinsurance agreement whereby the company assumes certain individual disability risks.  
Maximum Ceded Amounts: 95% of policy liabilities

### Ceded Reinsurance with Non-Affiliates:

#### M Life Insurance Company:

Effective Date: January 1, 2002  
Description: A modified coinsurance agreement for individual disability risks whereby the company cedes risks to reinsurer.  
Maximum Ceded Amounts: 10% quota share

#### Reassure America Life Insurance Company:

Effective Date: July 1, 2000  
Description: An automatic coinsurance agreement for individual and corporate life risks whereby the company cedes risks to reinsurer.  
Maximum Ceded Amounts: 100%

Swiss Re Life & Health America Inc.:

Effective Date: January 1, 1994  
Description: An automatic and facultative reinsurance agreement up to certain limits for individual disability risks.  
Maximum Ceded Amounts: Initially, 30% quota share ceded and then amended effective January 1, 1995 to 10% ceded.

**Catastrophic Reinsurance:**

Effective Dates: January 1, 2010 – January 1, 2011  
Description: Catastrophic excess of loss agreements whereby the following risks of the company and its affiliates are ceded:

- Group Life
- Group Accidental Death and Dismemberment
- Personal Accident
- Individual Life
- Individual Accidental Death and Dismemberment
- Individual and Group Disability
- Individual and Group Long Term Care

Limit and Retention: 1<sup>st</sup> layer:  
Up to \$30M Ultimate Net Loss per accident of series of accidents arising out of one event in excess of \$20M.  
2<sup>nd</sup> layer: \$50M x/s \$50M  
3<sup>rd</sup> layer: \$50M x/s \$100M  
4<sup>th</sup> layer: \$50M x/s \$150M  
5<sup>th</sup> layer: \$150M x/s \$200M

Significant Reinsurers: 1<sup>st</sup> layer:  
Lloyd's Syndicate No. 510  
Lloyd's Syndicate 1967  
  
2<sup>nd</sup> layer:  
Arch Reinsurance Company, Ltd  
Endurance Reinsurance Corp of America  
Munich Reinsurance America, Inc.

3<sup>rd</sup> layer:

Endurance Reinsurance Corp of America  
Everest Reinsurance Company  
Munich Reinsurance America, Inc.

4<sup>th</sup> layer:

Everest Reinsurance Company  
Munich Reinsurance America, Inc.

5<sup>th</sup> layer:

Allied World Assurance Company Ltd  
AXIS Reinsurance Company  
National Union Fire Insurance Company

Unearned Ceding Commission:

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

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

Other Considerations:

All of the Company's significant reinsurance agreements were found to contain such language as recommended by the NAIC and as required for reinsurance credit pursuant to TENN. CODE ANN. § 56-2-207(a)(2). All agreements also appear to effectuate proper transfer of risk in accordance with SSAP No. 61 and NAIC guidelines.

## AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

The Company had three (3) agreements with affiliated companies in effect as of December 31, 2010. The following are summaries of the agreements in effect as of this examination date of the Company:

### 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. Transactions under the Agreement for Services were reviewed for compliance with the Agreement and charges appear to be commensurate with services rendered.

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 on December 22, 1997. TDCI approved this Agreement on January 5, 1998.

### Investment Management Agreement with Provident Investment Management, LLC:

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. Transactions under the Investment Management Agreement were reviewed for compliance with the Contract and charges appear to be commensurate with services rendered.

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 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 their 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 (Unum) 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 will be made if such exist on the Company's books. Transactions under the Tax Allocation Agreement were reviewed for compliance with the Contract and charges appear to be commensurate with services rendered.

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 on July 13, 2007. TDCI approved this Agreement on August 13, 2007.

**LITIGATION AND CONTINGENT LIABILITIES**

During the period of examination and as of December 31, 2010, the Company is a party to various pending legal proceedings arising in the ordinary course of business. Based in part 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.

As of December 31, 2010, the Company does not have any contingent commitments or guarantees as disclosed in its 2010 Annual Statement, Notes to Financial Statements.

## STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the named jurisdictions or custodians as of December 31, 2010.

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

<u>Jurisdiction</u>	<u>Description of Security</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Par Value (Dollars)</u>
Tennessee -- Department of Insurance	United States Treasury Bond, 8.75%, Due 8/15/2020, CUSIP # 912810EG9	\$877,051	\$1,242,190	\$850,000
	United States Treasury Bond, 7.625%, Due 11/15/2022, CUSIP # 912810EN4	\$253,929	\$347,825	\$250,000
	United States Treasury Bond, 4.625%, Due 11/15/2016, CUSIP # 912828FY1	456,597	518,374	460,000
<b>Sub-Total</b>		<b>\$1,587,577</b>	<b>\$2,108,389</b>	<b>\$1,560,000</b>

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

<u>Jurisdiction</u>	<u>Description of Security</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Par Value (Dollars)</u>
Georgia - Department of Insurance	US Treasury Bond, 7.125%, Due 2/15/2020, CUSIP # 912810EP9	\$158,313	\$201,450	\$150,000
New Mexico - Department of Insurance	US Treasury Bond, 7.125%, Due 2/15/2020, CUSIP # 912810EP9	125,805	167,875	125,000

<u>Jurisdiction</u>	<u>Description of Security</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Par Value (Dollars)</u>
North Carolina - Department of Insurance	US Treasury Bond, 8.75%, Due 8/15/2020, CUSIP # 912810EG9	28,138	36,535	25,000
	US Treasury Note, 4.625%, Due 11/15/2016, CUSIP # 912828FY1	153,853	174,670	155,000
	US Treasury Bond, 8.75%, Due 8/15/2020, CUSIP # 912810EG9	232,161	328,815	225,000
	<b>Sub-Total</b>	<b><u>\$698,270</u></b>	<b><u>\$909,345</u></b>	<b><u>\$680,000</u></b>
	<b>Grand-Total</b>	<b><u>\$2,285,847</u></b>	<b><u>\$3,017,734</u></b>	<b><u>\$2,240,000</u></b>

Deposits with said jurisdictions were verified by 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 Ernst & Young, LLP, and is in compliance with this regulation.

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to confirm values for assets and liabilities appearing in the Company's financial statements. 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 and a sample was tested for correctness. These test checks and reviews revealed no material discrepancies.

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

## **SUBSEQUENT EVENTS**

During the examination, the examiners performed a review for subsequent events and did not note any that required additional disclosure in this examination report. Our review confirmed the Company's disclosures in its 2010 Annual Statement and in its Letter of Representation signed at the conclusion of this examination, that they were not aware of any events subsequent to December 31, 2010 that could have a material effect on its financial condition.

Financial Statement

There follows a statement of assets, liabilities and a summary of operations as of December 31, 2010, together with a reconciliation of capital and surplus for the period under review, as established by this examination.

	<u>Assets</u>	<u>Non-Admitted Assets As a Result of the Exam</u>	<u>Net-Admitted Assets</u>
Bonds	\$693,237,920		\$693,237,920
Mortgage loans on real estate:			
First liens	14,912,544		14,912,544
Cash and Cash Equivalents	13,101,908		13,101,908
Contract loans	414,208		414,208
Other Invested Assets	4,964,324		4,964,324
Investment Income Due and Accrued	10,545,396		10,545,396
Premiums and Considerations:			
Uncollected premiums and agents' balances in course of collection	2,149,927		2,149,927
Deferred premiums and agents' balances and installments booked but deferred and not yet due	4,000		4,000
Reinsurance:			
Amounts recoverable from reinsurers	488,993		488,993
Other amounts receivable under reinsurance contracts	455,976		455,976
Amounts receivable relating to uninsured plans	9,180		9,180
Current federal and foreign income tax recoverable	189,140		189,140
Net deferred tax asset	6,747,764		6,747,764
Guaranty funds receivable or on deposit	18,195		18,195
	<hr/>	<hr/>	<hr/>
Totals	<u>\$747,239,475</u>	<u>\$0</u>	<u>\$747,239,475</u>

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts	\$14,476,920
Aggregate reserve for accident and health contracts	556,393,690
Liability for deposit-type contracts	429,696
Contract claims:	
Life	286,262
Accident and health	7,996,530
Premiums and annuity considerations for life and accident and health contracts received in advance	1,398,816
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	42,170
Other amounts payable on reinsurance	311,671
Interest Maintenance Reserve (IMR)	13,645,286
Commissions to agents due or accrued	445,881
Commissions and expense allowances payable on reinsurance assumed	484
Taxes, licenses and fees due or accrued	81,858
Amounts withheld or retained by company as agent or trustee	130,975
Remittances and items not allocated	948,230
Miscellaneous liabilities:	
Asset valuation reserve	6,868,562
Payable to parent, subsidiaries and affiliates	781,678
Aggregate write-ins for liabilities	425,143
	<hr/>
Total Liabilities	\$604,663,852
Common capital stock	\$1,800,000
Aggregate write-ins for other than special surplus funds	968,640
Gross paid in and contributed surplus	51,600,000
Aggregate write-ins for special surplus funds	4,142,385
Unassigned funds (surplus)	84,064,598
	<hr/>
Total Capital and Surplus	142,575,623
Totals	<hr/> <u>\$747,239,475</u>

Summary of Operations

Premiums and annuity considerations for life and A&H contracts	\$84,036,501	
Net investment income	47,194,013	
Amortization of Interest Maintenance Reserve (IMR)	947,354	
Commissions and expense allowances on reinsurance ceded	1,713,961	
Reserve adjustments on reinsurance ceded	343,583	
Miscellaneous Income:		
Aggregate write-ins for miscellaneous income	(2,117,843)	
	<hr/>	
Total Income		\$132,117,569
Death benefits	\$221,844	
Disability benefits and benefits under A&H contracts	70,229,231	
Surrender benefits and withdrawals for life contracts	416,690	
Interest and adjustments on contract or deposit-type contract funds	2,478	
Increase in aggregate reserves for life and A&H contracts	13,558,437	
	<hr/>	
Total Benefits		\$84,428,680
Commissions on premiums, annuity considerations and deposit - type contract funds	\$12,000,438	
Commissions and expense allowances on reinsurance assumed	219,992	
General insurance expenses	13,688,881	
Insurance taxes, licenses and fees, excluding federal income taxes	1,687,926	
Increase in loading on deferred and uncollected premiums	(95)	
Aggregate write-ins for deductions	95,524	
	<hr/>	
Total Expenses		\$27,692,666
Total Benefits and Expenses		<hr/> 112,121,346 <hr/>
Net gain from operations before dividends to policyholders and federal income taxes		\$19,996,223
Dividends to policyholders		<hr/> 0 <hr/>
Net gain from operations after dividends to policyholders and before federal income taxes		\$19,996,223
Federal and foreign income taxes incurred		<hr/> 6,693,313 <hr/>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)		\$13,302,910
Net realized capital gains or (losses) less capital gains tax (excluding taxes transferred to the IMR)		<hr/> 1,487 <hr/>
Net Income		<hr/> <hr/> \$13,304,397 <hr/>

Capital and Surplus Account

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Capital and Surplus December 31, previous year	<u>\$90,792,799</u>	<u>\$100,464,374</u>	<u>\$99,046,385</u>	<u>\$121,081,935</u>	<u>\$130,227,056</u>
Net income or (loss)	\$10,270,582	\$16,414,918	\$22,570,325	\$6,068,750	\$13,304,397
Change in net deferred income tax	(294,960)	(1,846,843)	(424,604)	1,497,958	(132,047)
Change in non-admitted assets	(112,435)	100,105	1,460,716	(754,468)	457,562
Change in liability for reinsurance in unauthorized companies	121,316	(5,709)	(756)	(19,742)	26,207
Change in reserve on account of change in valuation basis, (increase) or decrease	-0-	(14,897,729)	-0-	-0-	-0-
Change in asset valuation reserve	(11,019)	(1,224,408)	(1,297,200)	(1,184,420)	(1,454,100)
Surplus adjustment:					
Change in surplus as a result of reinsurance	(301,909)	(292,236)	(272,931)	(245,505)	(213,289)
Aggregate write-ins for gains and losses in surplus	-0-	333,913	-0-	3,782,548	359,837
Net change in total capital and surplus for the year	<u>\$9,671,575</u>	<u>(\$1,417,989)</u>	<u>\$22,035,550</u>	<u>\$9,145,121</u>	<u>\$12,348,567</u>
Total Capital and Surplus December 31, current year	<u>\$100,464,374</u>	<u>\$99,046,385</u>	<u>\$121,081,935</u>	<u>\$130,227,056</u>	<u>\$142,575,623</u>

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS  
RESULTING FROM EXAMINATION**

**ASSETS**

There were no changes in Financial Statement amounts or comments resulting from examination for assets for this examination.

## LIABILITIES, SURPLUS AND OTHER FUNDS

Total Capital and Surplus:

\$142,575,623

Total capital and surplus as established by this examination is the same as what was reported by the Company in its December 31, 2010, Annual Statement. There were no changes made to any asset or liability items as a result of our examination as performed as of December 31, 2010.

TENN. CODE ANN. §§ 56-2-114 and 115 require an insurer of this Company's type to maintain a minimum capital and surplus of two million dollars (\$2,000,000). Therefore, the Company as of December 31, 2010, for this examination does maintain capital and surplus in excess of the amounts required per Tennessee Statutes.

## 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

The customary insurance examination practices and procedures, as promulgated by the NAIC have been followed in connection with the verification and valuation of assets and the determination of liabilities of Provident Life and Casualty Insurance Company located in Chattanooga, Tennessee.

In such manner, it was found that as of December 31, 2010, the Company had admitted assets of \$747,239,475 and liabilities, exclusive of surplus, of \$604,663,852. Thus, there existed for the additional protection of the policyholders, the amount of \$142,575,623 in the form of common capital stock, aggregate write-ins for other than special surplus funds, gross paid in and contributed surplus, aggregate write-ins for special surplus funds and unassigned funds.

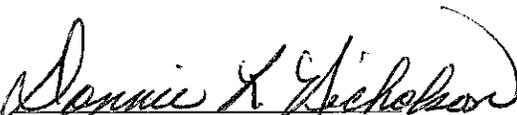
The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Greg Taylor, CFE, Vince Dyal, CFE, and Dave Gordon, AES, zone examiners representing the Delaware Insurance Department, participated in the work of this examination.

In addition to the undersigned, Mike Mayberry, FSA, MAAA, Jackie Lee, FSA, MAAA, Bob Gove, ASA, MAAA, Kathleen Knight, and Jennifer Allen of the contracting actuarial firm, Lewis & Ellis, Inc., Richardson, Texas, and Norman Chandler, CPA, CPCU, CFE, ARe, AIAF, ARC, ACP, and James R. Johnson of the contracting reinsurance specialist firm, TaylorChandler, LLC, Montgomery, Alabama, participated in the work of this examination.

Respectfully submitted,

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

  
Donnie R. Nicholson  
Insurance Examiner, III  
State of Tennessee  
Southeastern Zone, NAIC

**EXAMINATION 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 11, 2012, and made as of December 31, 2010, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.

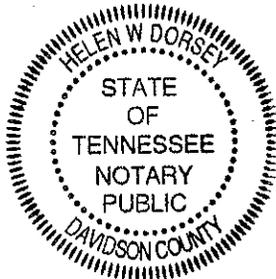


A Jay Uselton, CFE  
Examiner-in-Charge  
State of Tennessee  
Southeastern Zone, NAIC

County Davidson  
State Tennessee

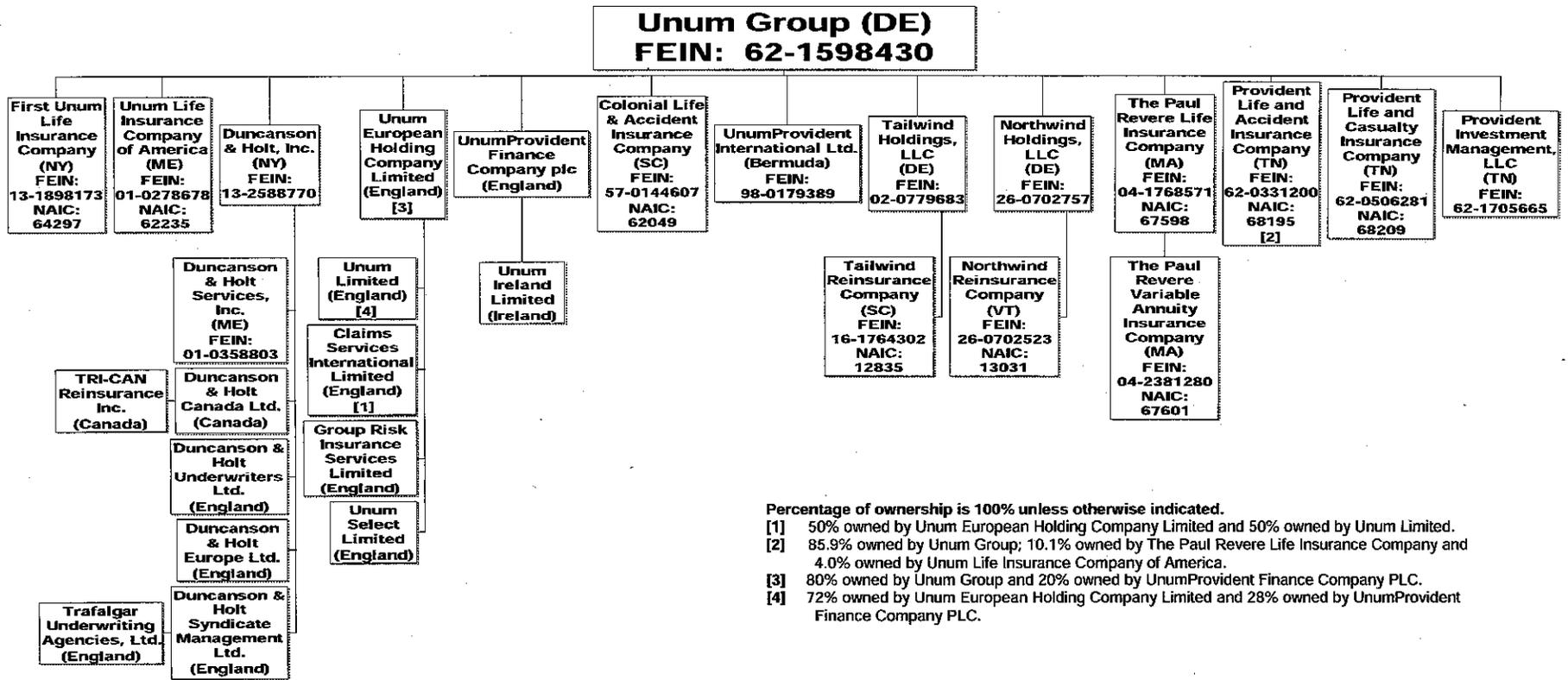
Subscribed and sworn to before me  
this 11th day of  
June, 2012

Helen W. Dorsey  
(NOTARY)



My Commission Expires  
03/03/2014

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**





**Original Via Federal Express**

June 14, 2012

Mr. Gerald F. Lambert, CFE  
Insurance Examinations Assistant Director  
Tennessee Department of Commerce and Insurance  
500 James Robertson Parkway  
Nashville, TN 37243

RE: Report of Examination  
Provident Life and Casualty Insurance Company as of December 31, 2010

Dear Mr. Lambert:

Please be advised that we acknowledge receipt and acceptance of the Report of Examination of Provident Life and Casualty Insurance Company as of December 31, 2010.

The Company would like to thank you 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 (207)575-2324.

Sincerely,

Susan J. Griffin  
Assistant Vice President, Market Conduct, Complaints and Regulatory Affairs

**RECEIVED**

JUN 19 2012

Dept. of Commerce & Insurance  
Company Examinations

