

# EXHIBIT A



**STATE OF TENNESSEE**  
**DEPARTMENT OF COMMERCE AND INSURANCE**

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**REPORT ON EXAMINATION**  
**OF**  
**PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY**  
**CHATTANOOGA, TENNESSEE**

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**AS OF**  
**DECEMBER 31, 2023**

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Chattanooga, Tennessee  
June 26, 2025

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

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated ("Tenn. Code Ann.") § 56-1-408, a full-scope financial examination and market conduct review, as of December 31, 2023, has been made of the condition and affairs of:

**PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY**

NAIC # 68195  
1 Fountain Square  
Chattanooga, Tennessee 37402

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

**INTRODUCTION**

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or "Department"). The examination was conducted by duly authorized representatives of the Department. This examination was called through the National Association of Insurance Commissioners (NAIC) Financial Examination Electronic Tracking System (FEETS). Further description of the coordination effort between the states is discussed below under the heading "Scope of Examination." This examination was made simultaneously with the Company's affiliate, Provident Life and Casualty Insurance Company (PLC).

**SCOPE OF EXAMINATION**

The last examination of the Company was made as of December 31, 2018. This examination covers the period January 1, 2019, through December 31, 2023, 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 wholly owned subsidiary of the Unum Group and a member of the Unum Group insurance company holding company system. The following are all of the insurance companies and their respective domiciliary states within the group, as of December 31, 2023:

- 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)
- Fairwind Insurance Company (Vermont)

Maine is the Lead State of the Unum Group. Participating states in the coordinated group examination were Massachusetts, New York, South Carolina, Tennessee, 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, 2023. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, by identifying and assessing inherent risks within the Company, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions.

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

The Company's 2023 annual statement was compared with or reconciled to the corresponding general ledger account balances.

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

The Company's parent company, Unum Group, 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 Jennan Enterprises, LLC, 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 (CPA) workpapers were reviewed for the 2023 audit and copies were incorporated into the examination, as deemed appropriate.

## **COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS**

There was one (1) recommendation pertaining to Producer Licensing Standards and four (4) recommendations pertaining to long term care (LTC) reserves noted in the prior examination report as of December 31, 2018. A description of the prior recommendations and the Company's subsequent compliance is described below.

1. The prior examination recommended that the Company develop procedures to ensure that all agents are properly appointed and that the appointments of agents whose license has expired be promptly terminated.

Update: Based on the testing performed within producer licensing during this examination, a random sample of producers was selected, and their state issued licensure and appointment by the Company were verified. There were no issues noted and the Company properly appointed and terminated its agents in accordance with Tenn. Code Ann. §§ 56-6-115 and 56-6-117.

2. For LTC reserves, the prior examination recommended the Company use no more than a one percent (1%) morbidity improvement assumption for no longer than ten (10) years, starting in the first projection year.

Update: This examination reviewed the Company's 2023 Actuarial Memorandum submitted to the TDCI and noted that the Company addressed this recommendation. In addition, in the examination's review of the LTC reserves, it was noted the Company has complied with this recommendation.

3. For LTC reserves, the prior examination recommended, due to low credibility of Company experience in setting the incidence rate selection factor assumption beyond policy duration twenty (20), the Company should utilize selection factors for a period of twenty (20) policy years, until such time there is credible experience to support extending this assumption past policy duration twenty (20).

Update: This examination reviewed the Company's 2023 Actuarial Memorandum submitted to the TDCI and noted that the Company addressed this recommendation. In addition, in the examination's review of the LTC reserves, no issues were found with this recommendation. The Company has complied with this recommendation.

4. For LTC reserves, the prior examination recommended the Company incorporate into its annual Actuarial Guideline 51 report a sensitivity test using the average long-term treasury rates generated by ten thousand (10,000) scenarios from the American Academy of Actuaries Interest Rate Generator.

Update: This examination reviewed the Company's 2023 Actuarial Guideline 51 report, and it was noted the Company is performing this test. The Company has complied with this recommendation.

5. For LTC reserves, the prior examination recommended the Company should revise and submit its LTC Cash Flow Testing ("CFT")/Gross Premium Valuation ("GPV") assumptions to the TDCI for review and approval.

Update: On an annual basis, the Company does send its LTC CFT/GPV analysis to the TDCI for review. This examination reviewed the 2023 LTC CFT/GPV analysis. The Company has complied with this recommendation.

The Company implemented all the changes recommended by the TDCI from the prior examination.

## COMPANY HISTORY

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

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

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

Effective December 27, 1995, Provident America completed a step in a corporate reorganization which created a new parent holding company, Provident Companies, Inc., a non-insurance holding company domiciled in Delaware. In March 1996, Provident America and PLCC were dissolved and their respective assets and liabilities were distributed to and assumed by Provident Companies, Inc., at which time the Company became a wholly owned subsidiary of Provident Companies, Inc.

On June 30, 1999, Unum Corporation merged with and into the Company's parent company, Provident Companies, Inc., in an exchange of stock. Immediately following the merger, the surviving corporation, Provident Companies, Inc., changed its name to UnumProvident Corporation ("UnumProvident"). UnumProvident subsequently changed its name to Unum Group ("Unum") effective February 27, 2007. The Company now operates as a subsidiary of Unum, a non-insurance holding company incorporated in Delaware. The common stock of Unum (symbol UNM) is publicly traded on the New York Stock Exchange.

Previously owned by Unum and two affiliates, the Company became directly owned entirely by Unum in September 2024, when The Paul Revere Life Insurance Company and Unum Life Insurance Company of America, who are also members of the Unum Insurance holding company system, each made a dividend of all shares of common stock



of the Company owned by them to Unum.

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

On December 31, 2023, the Company had authorized capital stock of fifty-five million (55,000,000) shares of common stock with a par value of \$1.00 per share, of which forty-three million, five hundred one thousand, two hundred five (43,501,205) shares were issued and outstanding, for a capital paid up of \$43,501,205.

## **MANAGEMENT AND CONTROL**

### **MANAGEMENT**

#### **Directors**

The Company's Bylaws state the number of directors shall consist of not less than one (1) nor more than eighteen (18) members. The exact number of directors within the specified minimum and maximum shall be fixed by resolution of the Board of Directors ("Board") or the stockholders from time to time. Directors shall be elected by the stockholders at each annual meeting, and each director shall serve until their successors are elected and qualified.

The annual meeting of the stockholders shall be held on such date as may be determined by the Board. The business to be transacted at such meeting shall be the election of directors and such other business as shall be properly brought before the meeting. Regular meetings of the Board may be held without notice of the date, time, place, or purpose of the meeting.

The following persons were duly elected by the shareholders and were serving as members of the Board, as of December 31, 2023:

<b><u>Name</u></b>	<b><u>Principal Occupation</u></b>
Puneet Bhasin	Executive Vice President, Chief Information and Digital Officer, Unum Group
Lisa Gonzalez Iglesias	Executive Vice President, General Counsel, Unum Group

Michael Quinn Simonds	Chairman of the Board, President and Chief Executive Officer, Unum Group
Daniel Jason Waxenberg	Senior Vice President, Global Financial Planning and Analysis, Unum Group
Steven Andrew Zabel	Executive Vice President, Chief Financial Officer, Unum Group

## **Officers**

The Bylaws provide that the officers of the Company shall be elected by the Board and 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. Each officer shall hold office for the term for which such officer has been elected or appointed or until such officer's successor has been elected or appointed and has qualified, or until such officer's earlier resignation, removal from office, or death. Any two (2) or more offices may be held by the same person except for the offices of President and Secretary.

The following officers were duly elected by the Board and were serving as officers of the Company, as of December 31, 2023:

<b><u>Name</u></b>	<b><u>Title</u></b>
Michael Quinn Simonds	President & Chief Executive Officer
Puneet Bhasin	Executive Vice President, Chief Information and Digital Officer
Steven Andrew Zabel	Executive Vice President, Chief Financial Officer
Lisa Gonzalez Iglesias	Executive Vice President, General Counsel
Scott Allan Carter	Senior Vice President, Chief Actuary
Jean Paul Jullienne	Vice President, Managing Counsel and Corporate Secretary
Benjamin Seth Katz	Vice President, Treasurer
Walter Lynn Rice, Jr.	Senior Vice President, Chief Accounting Officer
Daniel Jason Waxenberg	Senior Vice President, Global Financial Planning and Analysis

## **Committees**

The Board of Directors of the Company's parent, Unum, has five (5) standing committees: Audit Committee, Risk and Finance Committee, Governance Committee, Human Capital Committee, and Regulatory Compliance Committee. The duties and responsibilities of the committees are set forth in Unum Group's bylaws and committee charters as applicable. The Audit Committee of Unum Group has been designated to serve as the Audit Committee of the Company for purposes of complying with the requirements of applicable laws and regulations relating to the annual audited financial reporting of the

Company.

### **Control**

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(9), 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 the members of the holding company group as listed within the Company's 2023 Annual Statement:

<b><u>Company Name</u></b>	<b><u>NAIC Code</u></b>	<b><u>Domiciliary State</u></b>
Unum Group		DE
Unum Life Insurance Company of America	62235	ME
Unum Insurance Company	57601	ME
H&J Capital, LLC		LA
Starmount Life Insurance Company	68985	ME
The Paul Revere Life Insurance Company	67598	MA
First Unum Life Insurance Company	64297	NY
<b>Provident Life and Accident Insurance Company</b>	<b>68195</b>	<b>TN</b>
Provident Life and Casualty Insurance Company	68209	TN
Fairwind Insurance Company	15463	VT

## **DIVIDENDS**

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

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

<b><u>Year</u></b>	<b><u>Ordinary or Extraordinary</u></b>	<b><u>Notification Date</u></b>	<b><u>Dividend Amount</u></b>
2019	Ordinary	02/22/2019	\$72,000,000
2019	Ordinary	05/24/2019	\$28,000,000
2019	Ordinary	08/23/2019	\$40,000,000
2019	Ordinary	11/15/2019	\$65,000,000
2020	Ordinary	02/24/2020	\$75,677,900
2020	Ordinary	02/24/2020	\$8,898,100
2020	Ordinary	02/24/2020	\$3,524,000
2021	Ordinary	02/26/2021	\$43,000,000
2021	Ordinary	02/26/2021	\$5,000,000
2021	Ordinary	02/26/2021	\$2,000,000
2021	Ordinary	05/24/2021	\$8,847,700
2021	Ordinary	05/24/2021	\$1,040,300
2021	Ordinary	05/24/2021	\$412,000
2021	Ordinary	11/22/2021	\$10,200,000
2022	Ordinary	02/25/2022	\$105,000,000
2022	Ordinary	05/27/2022	\$50,000,000
2022	Ordinary	08/15/2022	\$176,100,000
2022	Extraordinary	11/16/2022	\$130,200,000
2023	Ordinary	08/17/2023	\$77,600,000
2023	Ordinary	11/10/2023	\$130,200,000
Total amount paid during examination period			\$1,032,700,000

## **Corporate Records**

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

## **Charter**

The original Charter of the Company was filed with the Tennessee Secretary of State on January 10, 1910. The Charter in effect on December 31, 2023, is the Company's Amended and Restated Charter that was adopted by the Board on September 27, 2005, filed with the Tennessee Secretary of State on November 14, 2005, and filed with the TDCI on April 28, 2006. This restatement of the Charter changed the address of the principal office of the Company, added a registered agent, stated the Company is for-profit, and stated its purpose. An amendment of the Charter adopted by the Board on September 27, 2010, and approved by the TDCI on November 28, 2011, was non-substantive and deleted references to the parent company's former name, UnumProvident Corporation. No amendments or restatements were made to the Company's Charter during the period of examination.

## **Bylaws**

The Bylaws of the Company in effect on December 31, 2023, 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. The Bylaws 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, 2023:

### **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 licensed to transact business in the District of Columbia, Puerto Rico, and all fifty (50) states except for New York. Certificates of Authority granted by the licensed states were reviewed and found to be in force on December 31, 2023.

The Company currently has no applications pending for admission to any other states or territories.

### **PLAN OF OPERATION**

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

- Individual Disability
- Voluntary Individual Life
- Voluntary Group Life
- Voluntary Individual Accident and Health

The Company's key product is individual disability income 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. The individual disability income insurance product 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 individual and group life, and individual accident and health products are primarily sold to groups of employees through payroll deduction at the workplace. The voluntary benefits portfolio includes life, disability, accident, hospital indemnity, cancer, and critical illness insurance.

The Company's operations are managed by lines of business: Individual Disability and Voluntary Benefits.

## GROWTH OF COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2023	\$5,952,114,935	\$661,303,815	\$758,477,394	\$161,931,255
2022	\$5,946,291,191	\$716,447,238	\$723,136,181	\$204,953,333
2021	\$6,214,223,444	\$971,337,054	\$644,782,589	\$340,348,841
2020	\$6,172,161,144	\$705,209,095	(\$1,318,078,841)	(\$177,465,913)
2019	\$7,893,439,986	\$658,864,668	\$763,601,517	\$219,362,414

## 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>Year</u>	<u>Net Incurred Claims</u>	<u>Net Premiums Earned</u>	<u>Loss Experience Ratio</u>
2023	\$266,074,323	\$520,667,630	51.1%
2022	\$310,338,312	\$482,878,322	64.3%
2021	\$177,278,355	\$398,346,463	44.5%
2020	(\$1,689,759,902)	(\$1,560,003,454)	108.3%
2019	\$114,347,664	\$502,135,563	22.7%

## LONG TERM CARE RESERVES

As of year-end 2023, the Company reported long term care (LTC) reserves in the amount of \$906.1 million. The Company utilized cash flow testing (CFT) to determine asset adequacy. As allowed by the Actuarial Opinion and Memorandum Regulation, the Company aggregates the results of its asset adequacy analysis for all lines of business in determining reserve adequacy. The aggregated CFT results demonstrate the aggregate reserves held by the Company are adequate.



In addition to performing an asset adequacy analysis, the Company performs a gross premium valuation (GPV) for its LTC business on a stand-alone basis, in accordance with Statement of Statutory Accounting Principles (SSAP) No. 54, to determine if a premium deficiency exists. As of December 31, 2023, the GPV performed by the Company indicated the statutory reserves for the LTC business were inadequate by \$104.4 million. This is the amount of premium deficiency reserve the Company reported as of December 31, 2023.

## **REINSURANCE AGREEMENTS**

### **Assumed Reinsurance**

Reinsurance assumed was determined to not represent a core business activity of the Company. The most significant assumed reinsurance balance involves a block of business acquired from John Hancock Life Insurance Company in 1992. The Company has performed all significant administrative functions associated with this block of business since the date of acquisition. On December 31, 2023, the block of business accounted for assumed reserves totaling approximately \$56.6 million, which represents ninety-six and two-tenths percent (96.2%) of total assumed reinsurance reserves.

### **Ceded Reinsurance**

The Company has reinsurance agreements in effect with numerous external insurance companies for the purpose of diversifying risk and limiting exposure on larger mortality risks. The Company actively monitors the financial condition and industry ratings of its primary reinsurance partners and, where considered necessary, arranges and maintains collateral arrangements to secure ceded reserve credits. On December 31, 2023, 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.

### **Legacy Contracts**

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

## **Life Business**

In July 2000, the Company sold one hundred percent (100%) of its individual and corporate life risks to Jackson National Life Insurance. The transaction was structured as a one hundred percent (100%) coinsurance transaction. On December 31, 2023, this contract accounts for ceded reserves totaling \$4.1 billion. Since the date of sale, Jackson National has performed all administration of this business and provides the Company all information necessary to populate financial reporting as a reinsurance transaction.

## **Disability Business**

The Company maintains a one hundred percent (100%) coinsurance arrangement with Unum America covering its net retention on all group long-term disability contracts issued prior to 2002. On December 31, 2023, this treaty accounts for ceded reserve credits totaling \$48 million.

Through an arrangement with National Indemnity Company (NICO) in 2004, the Company has maintained a non-proportional reinsurance treaty to reinsure a closed block of individual disability income (IDI) policies issued or assumed by the Company prior to January 1, 1994. Under this arrangement NICO assumes sixty-six and sixty-seven one-hundredths percent (66.67%) of all claim payments in excess of a defined retention balance. At inception of the treaty, the baseline retention balance was set at \$3.9 billion, reduced by \$330 million (the retention difference) and continues to increase with premium and interest credits, and diminish with paid claims. Once the retention balance reaches zero (\$0), NICO will reimburse the Company for sixty-six and sixty-seven one-hundredths percent (66.67%) of all future paid claims up to limits defined in the treaty. On December 31, 2023, the ceded reserves credit of \$848 million represents the present value of claim reimbursements that the Company expects to receive from NICO once the retention balance reduces to zero (\$0).

The Company also has reinsurance arrangements with two (2) companies, Swiss Re Life & Health and Westport Insurance Corporation, covering various disability income products written by the Company. These contracts have each been closed to new business cessions for an extended period of time and are essentially in run-off. The agreements with Swiss Re Life & Health were effective in 1984 and 1994, respectively, and account for ceded reserve credits totaling \$75 and \$53 million, respectively, on December 31, 2023. The agreement with Westport Insurance Corporation was effective in 1992 and accounts for ceded reserve credits totaling \$72 million, on December 31, 2023.

Effective July 1, 2020, the Company entered into an agreement with Commonwealth Annuity and Life insurance Company. The agreement is a one hundred percent (100%)

coinsurance agreement related to a block of individual disability income policies. On December 31, 2023, this treaty accounted for ceded reserve credits totaling \$1,529 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 appear to effectuate proper transfer of risk in accordance with 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. 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, 2023, 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). As part of the examination, a sample of the Company's applications and claims forms were reviewed to determine if they contained a fraud warning statement, and if the statements referenced potential penalties as required within Tenn. Code Ann. § 56-53-111(b). It was noted that several of the applications and claim forms reviewed did not reference potential penalties. See "Comments and Recommendations" for further discussion.

### **Complaint Handling Standards**

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

### **Marketing and Sales Standards**

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

### **Producer Licensing Standards**

Tenn. Code Ann. §§ 56-6-101, *et seq.*, requires the Company to sell its products and services through producers who are properly licensed and appointed by the Company. In the examination of producer licensing, a random sample of producers was selected, and their state-issued licensure and appointment by the Company were verified. Tenn. Code Ann. § 56-6-115(a) states that the insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. Tenn. Code Ann. § 56-6-115(c) requires a notice of appointment be submitted to TDCI within fifteen (15) days from the date the agency contract is executed, or the first insurance application is submitted. Tenn. Code Ann. § 56-6-117 requires the insurer to notify the Commissioner within thirty (30) days following the effective date of the termination of a producer and requires the insurer to mail a copy of the notification to the producer at the producer's last known address. It was determined that the Company is in compliance with Tenn. Code Ann. §§ 56-6-115(a) and (c) and 56-6-117. No issues were noted.

### **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

for compliance 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 were found 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).

### **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. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2023, that could have a material effect on the Company's financial condition. Our review confirmed the Company's disclosures in its 2023 Annual Statement and in its Letter of Representation.

Effective January 1, 2025, the Company entered into an agreement with an affiliate, First Unum Life insurance Company. The agreement is a one hundred percent (100%) coinsurance agreement related to a block of long-term care policies. At inception of this agreement, the Company assumed reserves of \$3.3 billion from First Unum Life Insurance Company.

## **FINANCIAL STATEMENTS**

There follows a statement of assets, liabilities, surplus and other funds, and a summary of operations, as of December 31, 2023, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2023 Annual Statement. *(Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)*

## ASSETS

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$4,478,569,427		\$4,478,569,427
Preferred stocks	136,240		136,240
Common stocks	6,525,700		6,525,700
Mortgage loans on real estate	516,552,808		516,552,808
Real estate:			
Properties occupied by the company	64,548,612		64,548,612
Properties held for income	25,070,567		25,070,567
Properties held for sale	822,709		822,709
Cash, cash equivalents, and short-term investment	42,830,682		42,830,682
Contract loans	178,432,910		178,432,910
Derivatives	12,430,091		12,430,091
Other invested assets	123,253,709		123,253,709
Receivables for securities	21,293,545		21,293,545
Securities lending reinvested collateral	5,941,020		5,941,020
Investment income due or accrued	74,681,740		74,681,740
Premiums and considerations:			
Uncollected premiums and agents' balances	48,754,389	9,226,143	39,528,246
Deferred premiums, agent balances and installments deferred	30,977,223		30,977,223
Reinsurance:			
Amounts recoverable from reinsurers	20,274,103		20,274,103
Other amounts receivable under reinsurance contracts	4,845,271		4,845,271
Amounts receivable for uninsured plans	1,640		1,640
Net deferred tax asset	184,745,953	105,966,558	78,779,395
Guaranty funds receivable on deposit	3,657,210		3,657,210
Furniture and equipment	5,922,806	5,922,806	-
Health care and amounts receivable	7,834,441	7,834,441	-
Aggregate write-ins for other than invested assets	<u>222,962,085</u>		<u>222,962,085</u>
<b>Totals</b>	<u>\$6,081,064,883</u>	<u>\$128,949,948</u>	<u>\$5,952,114,935</u>

## **LIABILITIES, SURPLUS, AND OTHER FUNDS**

Aggregate reserve for life contracts		\$2,241,352,103
Aggregate reserve for accident and health contracts		2,625,273,096
Liability for deposit-type contracts		42,463,367
Contract claims:		
Life		19,336,800
Accident and health		31,516,178
Premiums and annuity considerations for life and accident and health contracts received in advance		12,219,743
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		839,668
Other amounts payable on reinsurance		9,769,807
Interest Maintenance Reserve		23,040,584
Commissions to agents due or accrued		16,104,310
General expenses due or accrued		24,066,208
Taxes, licenses, and fees		5,812,434
Current federal and foreign income taxes		19,238,307
Amounts withheld by company as agent or trustee		110,928
Remittances and items not allocated		33,441,907
Miscellaneous liabilities:		
Asset valuation reserve (AVR)		84,936,676
Payable to parent, subsidiaries and affiliates		39,159,947
Derivatives		10,190,484
Payable for securities		13,891,088
Payable for securities lending		5,941,020
Aggregate write-ins for liabilities		32,106,463
Total Liabilities		<u>\$5,290,811,120</u>
Common capital stock	\$43,501,205	
Aggregate write-ins for other-than-special surplus funds	11,875,739	
Gross paid in and contributed surplus	600,208,526	
Unassigned funds (surplus)	<u>5,718,345</u>	
Total Capital and Surplus		<u>661,303,815</u>
<b>Totals</b>		<u><b>\$5,952,114,935</b></u>

## SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and A&H	\$758,477,394	
Net investment income	270,013,616	
Amortization of Interest Maintenance Reserve (IMR)	3,825,617	
Commissions and expense allowances on reinsurance ceded	85,001,060	
Reserve adjustments on reinsurance ceded	20,029,486	
Aggregate write-ins for miscellaneous income	<u>8,880,741</u>	
<b>Total Income</b>		<u>\$1,146,227,913</u>
Death benefits	73,413,066	
Annuity benefits	59,955,954	
Disability benefits and benefits under A&H contracts	255,949,883	
Surrender benefits and withdrawals for life contracts	56,772,664	
Group conversions	(122,262)	
Interest and adjustments on contract or deposit-type contract funds	388,340	
Payments on supplementary contracts with life contingencies	258,989	
Increase in aggregate reserves for life and A&H	<u>107,816,297</u>	
<b>Total Benefits</b>		554,432,931
Commissions on premiums and annuity considerations	153,261,365	
Commissions and expense allowances on reinsurance assumed	269,878	
General insurance expenses	152,390,016	
Taxes, licenses and fees, excluding federal income taxes	26,873,389	
Increase in loading on deferred and uncollected premiums	(1,865,036)	
Aggregate write-ins for deductions	<u>6,647,844</u>	
<b>Total Expenses</b>		<u>337,577,455</u>
<b>Total Benefits and Expenses</b>		<u>892,010,386</u>
Net gain from operations before dividends and taxes		254,217,528
Federal and foreign income taxes incurred		<u>86,714,833</u>
Net gain from operations after dividends and taxes		167,502,695
Net realized capital gains or (losses) less capital gain tax		<u>(5,571,440)</u>
<b>Net Income</b>		<u>\$161,931,255</u>



# CAPITAL AND SURPLUS ACCOUNT

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital and Surplus					
December 31, previous year	<u>\$716,447,238</u>	<u>\$971,337,054</u>	<u>\$705,209,095</u>	<u>\$658,864,668</u>	<u>\$607,261,362</u>
Net income or (loss)	161,931,255	204,953,333	340,348,841	(177,465,913)	219,362,414
Change in net unrealized capital gains	3,248,935	8,283,849	5,873,378	(2,790,536)	(747,828)
Change in net unrealized foreign exchange capital gain	(43,908)	(1,842,301)	(262,322)	(512,382)	(1,219,473)
Change in net deferred income tax	38,402,719	19,928,906	(603,471)	(57,038,893)	8,075,189
Change in non-admitted assets	(42,819,871)	(18,887,238)	7,171,204	52,147,852	9,138,193
Change in liability for reinsurance				455,830	26,327,071
Change in reserve on account of change in valuation basis	(3,035,147)		(20,240,541)	(14,136,756)	(2,252,041)
Change in asset valuation reserve	(2,274,002)	(4,447,880)	(3,220,205)	7,912,901	(5,577,018)
Cumulative effect of changes in accounting principles					8,143,247
Surplus adjustment:					
Paid in				329,000,000	
Change in surplus as a result of reinsurance	(2,753,404)	(1,578,484)	7,561,075	(3,127,676)	(4,646,448)
Dividends to stockholders	<u>(207,800,000)</u>	<u>(461,300,000)</u>	<u>(70,500,000)</u>	<u>(88,100,000)</u>	<u>(205,000,000)</u>
Net change in capital and surplus for the year	<u>(55,143,423)</u>	<u>(254,889,816)</u>	<u>266,127,959</u>	<u>46,344,427</u>	<u>51,603,306</u>
Capital and Surplus					
December 31, current year	<u>\$661,303,815</u>	<u>\$716,447,238</u>	<u>\$971,337,054</u>	<u>\$705,209,095</u>	<u>\$658,864,668</u>

## ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$661,303,815

Total capital and surplus, as established by this examination, is the same as reported by the Company in its 2023 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2023.

## COMMENTS AND RECOMMENDATIONS

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

### Comments

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

### Recommendations

1. Tenn. Code Ann. § 56-53-111(b) states “By January 1, 2002, all applications for insurance, and all claim forms regardless of the form of transmission provided and required by an insurer or required by law as a condition of payment of a claim, shall contain a statement, permanently affixed to the application or claim form, that clearly states in substance the following, or words to that effect: “It is a crime to knowingly provide false, incomplete, or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines, and denial of insurance benefits.” The Company failed to reference potential penalties in several of the applications and claim forms reviewed.

It is recommended that the Company ensure that all fraud statements within its applications and claim forms include mention of potential penalties as required by Tenn. Code Ann. § 56-53-111(b).

## 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 Accident Insurance Company.

In such manner, it was found that as of December 31, 2023, the Company had admitted assets of \$5,952,114,935 and liabilities, exclusive of capital and surplus, of \$5,290,811,120. Thus, there existed for the additional protection of the policyholders, the amount of \$661,303,815 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, 2023, 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, Nneka LaBon, APIR, MCM; Rhonda Bowling-Black, CFE, ARe, MCM, Insurance Examiners from the State of Tennessee; and Mike Mayberry, FSA, MAAA, Brian Rankin, FSA, MAAA, and Kevin Ruggeberg, FSA, MAAA of the actuarial and contracting firm Lewis & Ellis, LLC, Plano, Texas participated in the work of this examination.

Respectfully submitted,



07/01/2025

Ryne Davison, CFE  
Examiner-in-Charge  
Lewis & Ellis, LLC



07/01/2025

A. Jay Uselton, CFE  
Department Designee  
State of Tennessee

## CERTIFICATION

The undersigned certifies and says that he has duly executed the attached examination report of Provident Life and Accident Insurance Company located in Chattanooga, Tennessee, dated June 26, 2025, and made as of December 31, 2023, on behalf of the Tennessee Department of Commerce and Insurance. The undersigned 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.



07/01/2025

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

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A. Jay Uselton 07/01/2025  
A. Jay Uselton (Jul 1, 2025 13:01 CDT)  
A. Jay Uselton, CFE  
Department Designee  
State of Tennessee

# **EXHIBIT B**



1 Fountain Square  
Chattanooga, TN 37402  
423.294.1011  
**unum.com**

7-2-2025

Bryant Cummings  
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 & Accident Insurance Company**

Dear Mr. Cummings:

We hereby acknowledge receipt of the final Report of Examination for Provident Life & Accident Insurance Company, made as of December 31, 2023.

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

Sincerely,

*Kristina H. Allaire*

Kristina H. Allaire  
Assistant Vice President  
& Managing Counsel