REPORT ON EXAMINATION

of the

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY

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Dept. of Commerce & Insurance
Company Examinations

1 Fountain Square

Chattanooga, Tennessee 37402

as of

December 31, 2010

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

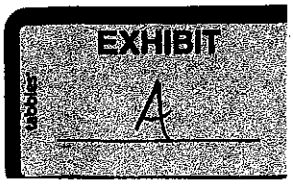

TABLE OF CONTENTS

INTRODUCTION....2
SCOPE OF EXAMINATION....2
COMMENTS – PREVIOUS EXAMINATION....4
COMPANY HISTORY....5
GROWTH OF COMPANY....7
CHARTER AND BYLAWS....8
MANAGEMENT AND CONTROL....9
HOLDING COMPANY SYSTEM....11
PECUNIARY INTEREST OF OFFICERS AND DIRECTORS....12
CORPORATE RECORDS....12
FIDELITY BOND AND OTHER INSURANCE....12
EMPLOYEE BENEFITS AND PENSION PLANS....13
TERRITORY AND PLAN OF OPERATION....13
SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS....14
MARKET CONDUCT ACTIVITIES....15
MORTALITY AND LOSS EXPERIENCE....17
REINSURANCE AGREEMENTS....18
AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES....21
LITIGATION AND CONTINGENT LIABILITIES....23
STATUTORY DEPOSITS....23
ACCOUNTS AND RECORDS....24
SUBSEQUENT EVENTS....25
FINANCIAL STATEMENTS....26
- Assets....26
- Liabilities, Surplus and Other Funds....27
- Summary of Operations....28
- Capital and Surplus Account....29

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION....30
- ASSETS....30
- LIABILITIES, SURPLUS AND OTHER FUNDS....31
  - Total Capital and Surplus....31

COMMENTS AND RECOMMENDATIONS....32
- Comments....32
- Recommendations....32

CONCLUSION....33
EXAMINATION AFFIDAVIT....34
COMPANY ORGANIZATIONAL CHART....Attachment A

STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
INSURANCE DIVISION
500 JAMES ROBERTSON PARKWAY - 4TH FLOOR
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 ACCIDENT INSURANCE COMPANY
CHATTANOOGA, TENNESSEE

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

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 & Casualty Insurance Company (PLC). 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 PLA examination. The key activities and material accounts within them included Premiums, Underwriting, Claims Handling, Reinsurance Ceded, Reserves, Investments, Taxes and Related Parties.

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 (PLA and PLC), 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 15 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 $113,740,915 in order to cover the deficiencies noted in the examination report.

Company's Response:

In response to the PLA 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 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 1,000 shares of common stock with a par value of $100 each share and 500 shares of 8% cumulative preferred stock with a par value of $100 each share. The preferred stock was retired in 1935. Subsequently, the charter has been amended at various times to increase the authorized capital and to increase or decrease the par value of individual shares. The Company is authorized to write life, disability and credit insurance.

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

Effective September 1, 1987, the corporate structure of the Company was reorganized. Pursuant to this reorganization, Provident America became the ultimate parent of the Company. In the

reorganization, holders of the Company's common stock received one (1) share of Class B common stock of Provident America for each share of Company common stock (37,352,699 shares of Class B common stock, par value $1.00 per share, were issued in exchange for up to 37,352,699 outstanding shares of common stock, par value $1.00 per share).

On November 2, 1992, PLCC contributed $99,998,878 in book value of bonds and $1,122 in accrued interest on bonds for a total of $100,000,000 as a capital contribution to the Company. Provident National Assurance Company paid a return of capital of $55,000,000 to the Company on December 31, 1992.

On December 22, 1995, the Company distributed all of the stock of its wholly-owned subsidiaries, Provident Life and Casualty Insurance Company (PLC) and Provident National Assurance Company, to its immediate parent, PLCC, as an extraordinary dividend.

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. All shares of Class A and Class B common stock of Provident America were exchanged 1:1 for shares of a single class of common stock of Provident Companies, Inc.

In March, 1996, PLCC and Provident America were dissolved and their respective assets and liabilities were distributed to and assumed by Provident Companies, Inc.

On December 1, 1996, with approval from the TDCI, the Company received cash of $150,000,000 from its parent, in exchange for a variable interest rate surplus note which matured on December 1, 2006.

On June 30, 1999, Unum Corporation merged with and into the Company's parent, Provident Companies, Inc., in an exchange of stock. The Company then operated as a subsidiary of UnumProvident Corporation (UnumProvident), a non-insurance holding company incorporated in Delaware.

Effective December 31, 2000, the Canadian branch operations of the Company's affiliates, The Paul Revere Life Insurance Company (Paul Revere Life) and Unum Life Insurance Company of America (Unum America) were consolidated into the Company's Canadian branch operation in order to simplify the corporate structure of UnumProvident by reducing the number of entities in Canada. The nature of the transaction was an assumption reinsurance agreement whereby Company stock was exchanged for the net value of the branch assets assumed, as adjusted for ceding commissions. The Company issued 4,389,187 shares to Paul Revere Life and 1,759,319 shares to Unum America and assumed reserves and other liabilities of $797.5 million. The Company paid a ceding commission of $4.2 million to Paul Revere Life and received a ceding commission of $15.6 million from Unum America.

Following the merger of Unum Corporation and Provident Companies, Inc. in June, 1999, Provident Life and Accident Insurance Company became the 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 is a stock for profit life insurance company licensed to transact business in forty-nine (except New York) states and the District of Columbia plus Puerto Rico. The Company's key product is individual disability insurance marketed primarily to employers and multi-life employee groups by the Company's sales force, working in conjunction with independent brokers and consultants.

At December 31, 2010, the Company had authorized capital stock of 55,000,000 shares of common stock with a par value of $1.00 per share, of which 43,501,205 shares were issued and outstanding for a capital paid up of $43,501,205. Paul Revere Life and Unum America have direct ownership in the Company of 10.1% and 4.0%, respectively. The remaining 85.9% is held by Unum Group (Unum). Unum is the ultimate parent of the Company. Paul Revere Life and Unum America are included in the holding company group of Unum. 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	$43,501,205
Aggregate write-ins for other than special surplus funds	110,300,360
Gross paid in and contributed surplus	271,208,526
Aggregate write-ins for special surplus funds	68,140,445
Unassigned funds (surplus)	161,480,968
Total capital and surplus	$654,631,504

GROWTH OF COMPANY

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

Year	Admitted Assets	Liabilities	Capital and Surplus	Premiums and Annuity Considerations
2006	$7,872,145,652	$6,750,381,249	$1,121,764,403	$1,059,494,497
2007	7,741,481,139	7,306,411,025	435,070,114	810,346,861
2008	7,741,374,907	7,312,965,095	428,409,812	820,098,576
2009	8,004,252,388	7,437,174,093	567,078,294	862,465,809
2010	8,271,622,452	7,616,990,948	654,631,504	887,442,238

CHARTER AND BYLAWS

The original Charter of the Company was filed with the Tennessee Secretary of State on January 10, 1910. 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 and listed a registered office and registered agent.

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:

During the period of examination the Company declared and paid ordinary or extraordinary dividends to its shareholders for each year except 2009. No dividends were paid in 2009. On October 7, 2007 the Company paid an extraordinary dividend of $277,000,000 in connection with the Northwind reinsurance transaction. The Company complied with the requirements of TENN. CODE ANN. § 56-11-205 (e) by notifying the TDCI of declaration of each dividend.

The following table lists each dividend amount, whether the dividend was determined to be Ordinary (O) or Extraordinary (E), the date the Company notified the TDCI of the dividend, and the date the Company paid the dividend to its shareholders.

Year	Ordinary (O) or Extraordinary (E)	Notify Date	Paid Date	Dividend Amount
2006:	O	03/03/05	03/30/06	$28,200,000
	O	06/14/06	06/30/06	25,000,000
	O	09/22/06	09/28/06	28,200,000
	O	12/05/06	12/28/06	25,000,000
				$106,400,000
2007:	O	03/08/07	03/30/07	$28,000,000
	O	06/05/07	06/29/07	28,000,000
	O	08/30/07	09/28/07	28,000,000
	E	10/05/07	10/31/07	277,000,000
				$361,000,000
2008:	E	11/16/07	01/07/08	$28,170,000
	E	02/25/08	03/31/08	20,000,000
	E	05/28/08	06/30/08	20,000,000
	E	08/26/08	09/30/08	20,000,000
	E	11/24/08	12/31/08	20,000,000
				$108,170,000
2009:	No Dividends Paid			$ 0
2010:	O	11/03/10	12/20/10	$30,000,000
				$30,000,000
			Total paid during period of Exam	$605,570,000

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:

Name	Title:
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:

Name:	Title
Thomas Ros Watjen	Chairman
Kevin Paul McCarthy	President and CEO
Robert O'Hara Best	Executive VP, Global Business Technology
Kevin Ambrose McMahon	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	Senior VP and Chief Financial Officer
Susan Nance Roth	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.* Two (2) of the Company's affiliates, Paul Revere Life and Unum America have direct ownership in the Company of 10.1% and 4.0%, respectively. The remaining 85.9% is held by Unum. Unum is the ultimate parent of the Company. The Company operates as a subsidiary of Unum, a non-insurance holding company incorporated in Delaware. Paul Revere Life and Unum America are also included in the holding company group of Unum. 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 General 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 insurer licensed to transact business in the District of Columbia, Puerto Rico, and all states except for 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 manufactures and distributes products that enhance the financial security of its policyholders. Its product offerings include:

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

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

These products are sold through an employed group of sales representatives marketing products to independent brokers. The 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 base 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 lines are Individual Disability, Group Disability, Individual Life, Individual Accident and Health, Group Life and Group Pension.

SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS

State	Licensed? (Yes or No)	Life Insurance Premiums	A&H Insurance Premiums	Deposit-Type Contract Funds
Alabama	YES	$10,003,006	$20,040,177	$0
Alaska	YES	2,508,364	1,358,897	0
Arizona	YES	4,521,037	17,449,808	0
Arkansas	YES	6,013,896	8,884,296	300
California	YES	15,591,622	73,566,239	0
Colorado	YES	1,829,365	11,141,502	0
Connecticut	YES	2,226,964	12,340,942	0
Delaware	YES	424,117	2,270,756	0
District of Columbia	YES	768,223	4,581,005	0
Florida	YES	22,786,084	62,497,132	0
Georgia	YES	29,101,132	36,782,772	600
Hawaii	YES	1,280,422	3,231,019	0
Idaho	YES	397,127	1,575,261	0
Illinois	YES	9,737,647	38,689,834	0
Indiana	YES	7,206,202	13,137,502	960
Iowa	YES	1,776,361	4,391,058	0
Kansas	YES	2,000,175	7,287,282	0
Kentucky	YES	4,951,883	9,167,241	0
Louisiana	YES	8,033,888	16,250,728	0
Maine	YES	913,017	4,133,539	0
Maryland	YES	7,657,292	29,317,039	0
Massachusetts	YES	3,557,396	25,047,965	0
Michigan	YES	8,744,707	38,203,462	0
Minnesota	YES	1,800,975	12,796,898	600
Mississippi	YES	5,949,393	10,376,776	0
Missouri	YES	8,387,161	16,937,910	0
Montana	YES	273,004	1,407,763	0
Nebraska	YES	991,458	3,995,201	0
Nevada	YES	1,986,722	4,551,911	0
New Hampshire	YES	541,740	3,669,039	0
New Jersey	YES	6,138,550	34,804,586	0
New Mexico	YES	1,803,300	3,247,953	0
New York	NO	1,168,779	7,025,104	0
North Carolina	YES	30,760,449	26,329,969	600
North Dakota	YES	194,027	757,002	0
Ohio	YES	17,542,533	29,716,303	0
Oklahoma	YES	2,164,086	5,099,962	0
Oregon	YES	1,153,984	8,248,071	0
Pennsylvania	YES	10,082,494	59,597,259	0
Rhode Island	YES	422,681	2,502,964	0

South Carolina	YES	12,631,502	15,840,148	1,200
South Dakota	YES	823,510	2,132,322	0
Tennessee	YES	28,839,362	25,776,464	10,000
Texas	YES	22,759,140	60,056,906	90,000
Utah	YES	911,953	2,482,682	0
Vermont	YES	759,208	1,671,872	0
Virginia	YES	11,160,835	23,875,531	0
Washington	YES	3,352,448	17,633,546	0
West Virginia	YES	2,232,508	3,728,090	0
Wisconsin	YES	3,736,044	10,995,188	0
Wyoming	YES	219,556	1,183,527	0
Guam	NO	5,948	924	0
Puerto Rico	YES	6,427	195,648	0
U. S. Virgin Islands	NO	3,277	32,510	0
Canada	NO	25,359	111,652	0
Aggregate Other	XXX	42,782	39,227	0
Total Direct Business		$330,901,119	$838,166,368	$104,260

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 polices 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:

Ordinary Life	2010	2009	2008	2007	2006
Net Death Benefits Incurred	60,403,781	57,455,451	53,840,328	48,131,345	47,802,495
Less - Reserves Released by Death	9,924,779	8,057,600	7,936,072	7,156,454	7,232,821
Actual Death Benefits Incurred	50,479,002	49,397,851	45,904,256	40,974,891	40,569,674
Expected Mortality	68,787,696	73,262,307	71,966,277	67,547,187	65,435,536
Mortality Experience Ratio	.7338	.6742	.6378	.6066	.6199

Group Life	2010	2009	2008	2007	2006
Net Death Benefits Incurred	28,046,921	33,995,718	32,848,815	49,910,064	65,426,823
Less - Reserves Released by Death	1,479,886	1,299,246	1,184,383	1,775,230	1,641,786
Actual Death Benefits Incurred	26,567,035	32,696,472	31,664,432	48,134,834	63,785,037
Expected Mortality	2,330,543	2,236,892	2,276,908	2,084,821	879,580
Mortality Experience Ratio	11.3995	14.6169	13.9067	23.0882	72.5176

A&H:

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

Group A&H	2010	2009	2008	2007	2006
Net Incurred Claims	10,836,364	8,341,734	6,583,313	28,892,227	26,746,769
Net Premiums Earned	14,335,104	11,598,858	12,491,354	26,194,626	47,509,131
Loss Experience Ratio	.7559	.7191	.5270	1.1029	.5629
Non-Cancelable A&H					
Net Incurred Claims	132,459,922	145,485,083	83,166,263	151,373,816	662,907,555
Net Premiums Earned	227,816,300	281,439,772	276,008,001	264,515,043	508,306,821
Loss Experience Ratio	.5814	.5169	.3013	.5722	1.3041
Guaranteed Renewable A&H					
Net Incurred Claims	109,259,433	94,608,162	77,350,269	72,063,619	66,310,030
Net Premiums Earned	322,145,548	302,806,356	274,350,095	240,748,626	212,808,639
Loss Experience Ratio	.3391	.3124	.2819	.2993	.3115

REINSURANCE AGREEMENTS

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

Ceded Reinsurance with Affiliates:

Unum Life Insurance Company of America:

Effective Date:	October 1, 2002
Description:	Reinsures on a 100% coinsurance basis all net retained Group Long Term Disability contracts issued prior to and on or after the treaty effective date.

Northwind Reinsurance Company:

Effective Date:	January 1, 2007
Description:	A 100% modified coinsurance agreement for a closed block of Individual Disability business prior to or after December 1, 2003.

Assumed Reinsurance with Non-Affiliates:

RBC Life Insurance Company:

Effective Date:	April 30, 2004
Description:	An automatic and optional facultative modified coinsurance agreement for group life and accident and health whereby the company assumes risks.

Ceded Reinsurance with Non-Affiliates:

Munich American Reassurance Company:

Effective Date:	April 1, 2003
Description:	A yearly renewable term agreement for individual life risks whereby the company cedes risks to reinsurer.
Maximum Ceded Amounts:	40% 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%

Scottish Re Life Corporation:

Effective Date:	February 1, 1996
Description:	An automatic coinsurance agreement for Individual Ordinary Life Policies whereby the company cedes risks to reinsurer.
Maximum Ceded Amounts:	The reinsured shall retain as its own net retention hereunder the proportion thereof that $1,000,000 bears to the total amount of Individual Ordinary Life Policies in force, provided that, in no event shall the reinsurer's indemnity exceed 50% part of the loss retained by the reinsured.

RGA Reinsurance Company:

Effective Date:	February 15, 1996
Description:	An automatic/facultative yearly renewable term agreement for individual life risks wherein the company cedes risks to reinsurer.
Maximum Retained Amounts:	$1,000,000

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:	1st layer: Up to $30M Ultimate Net Loss per accident of series of accidents arising out of one event in excess of $20M. 2nd layer: $50M x/s $50M 3rd layer: $50M x/s $100M 4th layer: $50M x/s $150M 5th layer: $150M x/s $200M
Significant Reinsurers:	*1st layer:* Lloyd's Syndicate No. 510 Lloyd's Syndicate 1967 *2nd layer:* Arch Reinsurance Company, Ltd Endurance Reinsurance Corp of America Munich Reinsurance America, Inc. *3rd layer:* Endurance Reinsurance Corp of America Everest Reinsurance Company Munich Reinsurance America, Inc. *4th layer:* Everest Reinsurance Company Munich Reinsurance America, Inc. *5th 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)(l). 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)(l). 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)(l). 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.

During the period of examination and as of December 31, 2010, the Company has entered into a number of contingent commitments and guarantees. Please refer to the Company's 2010 Annual Statement, Notes to Financial Statements, Notes 14, 15, 16 and 21 for a description of the contingent commitments and guarantees the Company has entered into as of December 31, 2010.

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:

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value (Dollars)
Tennessee – Department of Insurance	United States Treasury Bond 7.5%, Due 11/15/2016, CUSIP #912810DX3	$594,336	$771,180	$600,000
	United States Treasury Bond 8.750%, Due 8/15/2020, CUSIP #912810EG9	1,042,583	1,461,400	1,000,000
	Sub-Total	**$1,636,919**	**$2,232,580**	**$1,600,000**

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

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value (Dollars)
Georgia - Department of Insurance	US Treasury Bond, 8.75% due 5/15/2020, CUSIP 912810EF1	$105,121	$145,590	$100,000
North Carolina - Department of Insurance	US Treasury Bond, 8.75% due 8/15/2020, CUSIP # 912810EG9	236,618	328,815	225,000
	US Treasury Bond, 8.75% due 5/15/2020, CUSIP # 912810EF1	141,914	196,547	135,000
Virginia - Department of Insurance	US Treasury Bond, 7.125% due 2/15/2023, CUSIP # 912810EP9	253,531	335,750	250,000
Puerto Rico - Department of Insurance	Puerto Rico Commonwealth, 5.5%, Due 7/1/2021, CUSIP# 745145R46	568,387	518,145	500,000
	Puerto Rico Elec Pwr Auth, 5.5% due 7/1/2020, CUSIP # 74526QPU0	551,724	556,645	500,000
	Sub-Total	**$2,025,489**	**$2,314,436**	**$1,870,000**
	Grand-Total	**$3,662,408**	**$4,547,016**	**$3,470,000**

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.

Assets

	Assets	Non-Admitted Assets As a Result of the Exam	Net-Admitted Assets
Bonds	$6,959,942,593		$6,959,942,593
Preferred Stocks	69,752,572		69,752,572
Mortgage loans on real estate:			
First liens	338,493,873		338,493,873
Real Estate:			
Properties occupied by the Company	78,957,450		78,957,450
Properties held for the production of income	11,068,802		11,068,802
Properties held for sale	622		622
Cash and Cash Equivalents	28,825,036		28,825,036
Contract loans	90,649,195		90,649,195
Other Invested Assets	141,447,451		141,447,451
Receivables for securities	1,392,532		1,392,532
Investment Income Due and Accrued	111,076,553		111,076,553
Premiums and Considerations:			
Uncollected premiums and agents' balances in course of collection	48,046,320		48,046,320
Deferred premiums and agents' balances and installments booked but deferred and not yet due	32,368,947		32,368,947
Accrued retrospective premiums	9,180		9,180
Reinsurance:			
Amounts recoverable from reinsurers	54,771,831		54,771,831
Other amounts receivable under reinsurance contracts	7,621,336		7,621,336
Amounts receivable relating to uninsured plans	423,230		423,230
Current federal and foreign income tax recoverable	8,173,041		8,173,041
Net deferred tax asset	118,220,093		118,220,093
Guaranty funds receivable or on deposit	3,847,115		3,847,115
Aggregate write-ins for other than invested assets	166,534,680		166,534,680
Totals	$8,271,622,452	$0	$8,271,622,452

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts		$1,968,656,743
Aggregate reserve for accident and health contracts		4,961,411,127
Liability for deposit-type contracts		17,356,468
Contract claims:		
Life		19,072,151
Accident and health		64,396,809
Premiums and annuity considerations for life and accident and health contracts received in advance		15,927,758
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		28,821,491
Other amounts payable on reinsurance		66,376,743
Interest Maintenance Reserve (IMR)		85,976,049
Commissions to agents due or accrued		25,338,812
General expenses due and accrued		1,211,022
Taxes, licenses and fees due or accrued		8,081,348
Amounts withheld or retained by company as agent or trustee		284,580
Remittances and items not allocated		33,195,618
Miscellaneous liabilities:		
Asset valuation reserve		77,415,624
Reinsurance in unauthorized companies		32,909
Payable to parent, subsidiaries and affiliates		71,031,520
Liability for amounts held under uninsured plans		37,894
Derivatives		64,734,386
Payable for securities		2,500,000
Aggregate write-ins for liabilities		105,131,896
Total Liabilities		$7,616,990,948
Common capital stock	$43,501,205	
Aggregate write-ins for other than special surplus funds	110,300,360	
Gross paid in and contributed surplus	271,208,526	
Aggregate write-ins for special surplus funds	68,140,445	
Unassigned funds (surplus)	161,480,968	
Total Capital and Surplus		654,631,504
Totals		$8,271,622,452

Summary of Operations

Premiums and annuity considerations for life and A&H contracts	$887,442,238	
Net investment income	526,386,025	
Amortization of Interest Maintenance Reserve (IMR)	8,929,002	
Commissions and expense allowances on reinsurance ceded	84,851,375	
Reserve adjustments on reinsurance ceded	(85,489,328)	
Miscellaneous Income:		
Aggregate write-ins for miscellaneous income	35,281,780	
Total Income		$1,457,401,092
Death benefits	$88,464,193	
Annuity benefits	85,722,758	
Disability benefits and benefits under A&H contracts	203,507,024	
Surrender benefits and withdrawals for life contracts	61,412,398	
Group conversions	(132,728)	
Interest and adjustments on contract or deposit-type contract funds	630,957	
Payments on supplementary contracts with life contingencies	926,688	
Increase in aggregate reserves for life and A&H contracts	86,140,757	
Total Benefits	$526,672,047	
Commissions on premiums, annuity considerations and deposit - type contract funds	$200,854,769	
Commissions and expense allowances on reinsurance assumed	805,960	
General insurance expenses	248,512,503	
Insurance taxes, licenses and fees, excluding federal income taxes	31,748,847	
Increase in loading on deferred and uncollected premiums	(647,228)	
Aggregate write-ins for deductions	266,777,525	
Total Expenses	$748,052,376	
Total Benefits and Expenses		1,274,724,423
Net gain from operations before dividends to policyholders and federal income taxes		$182,676,669
Dividends to policyholders		0
Net gain from operations after dividends to policyholders and before federal income taxes		$182,676,669
Federal and foreign income taxes incurred		41,152,492
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)		$141,524,177
Net realized capital gains or (losses) less capital gains tax (excluding taxes transferred to the IMR)		(11,187,983)
Net Income		$130,336,194

Capital and Surplus Account

	2006	2007	2008	2009	2010
Total Capital and Surplus December 31, previous year	$1,343,689,263	$1,121,764,403	$435,070,113	$428,409,812	$567,078,294
Net income or (loss)	$70,920,202	($17,836,852)	$118,222,142	$113,255,291	$130,336,194
Change in net unrealized capital gains or (losses)	4,610,947	2,330,728	(6,051,575)	1,542,640	314,799
Change in net unrealized foreign exchange capital gain (loss)	(3,527,694)	8,909	135,302	(4,421,920)	(5,120,619)
Change in net deferred income tax	22,754,705	10,223,683	4,085,821	2,739,442	(4,611,786)
Change in non-admitted assets	(19,416,280)	(12,101,095)	(16,698,728)	(11,793,204)	5,186,957
Change in liability for reinsurance in unauthorized companies	21,094	(2,675)	2,504	116	37,373
Change in reserve on account of change in valuation basis, (increase) or decrease	-0-	(251,362,945)	-0-	-0-	16,530,619
Change in asset valuation reserve	(13,035,475)	(55,536)	503,844	1,481,416	(11,338,669)
Surplus adjustment:					
Change in surplus as a result of reinsurance	(27,852,359)	(27,882,308)	(26,859,611)	(24,512,729)	(21,544,673)
Dividends to stockholders	(106,400,000)	(389,170,000)	(80,000,000)	-0-	(30,000,000)
Aggregate write-ins for gains and losses in surplus	(150,000,000)	(846,199)	-0-	60,377,430	7,763,015
Net change in total capital and surplus for the year	($221,924,860)	($686,694,290)	($6,660,301)	$138,668,482	$87,553,210
Total Capital and Surplus December 31, current year	$1,121,764,403	$435,070,113	$428,409,812	$567,078,294	$654,631,504

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:	$654,631,504

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 Accident Insurance Company located in Chattanooga, Tennessee.

In such manner, it was found that as of December 31, 2010, the Company had admitted assets of $8,271,622,452 and liabilities, exclusive of surplus, of $7,616,990,948. Thus, there existed for the additional protection of the policyholders, the amount of $654,631,504 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 Accident 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

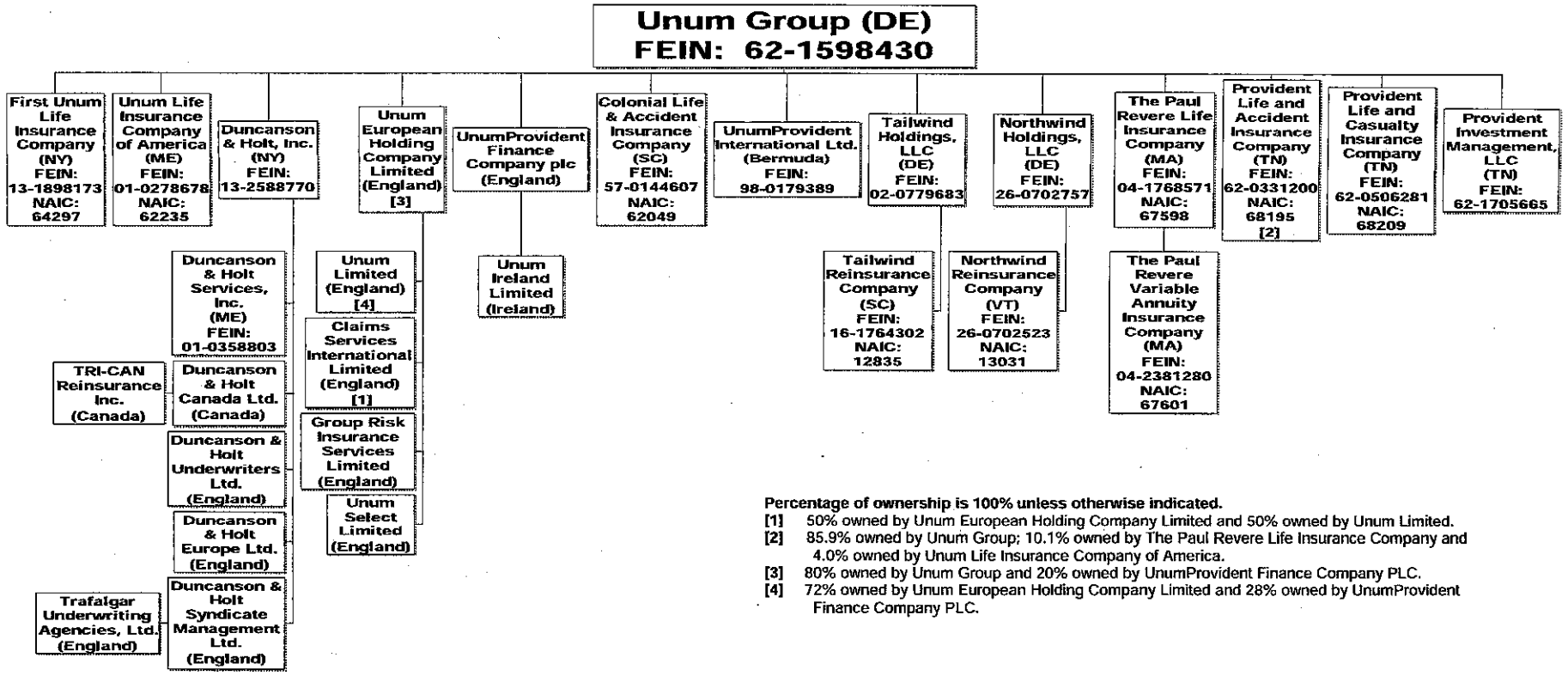
Helen W. Dorsey
(NOTARY)

HELEN W DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

My Commission Expires

03/03/2014

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



Percentage of ownership is 100% unless otherwise indicated.

[1] 50% owned by Unum European Holding Company Limited and 50% owned by Unum Limited.

[2] 85.9% owned by Unum Group; 10.1% owned by The Paul Revere Life Insurance Company and 4.0% owned by Unum Life Insurance Company of America.

[3] 80% owned by Unum Group and 20% owned by UnumProvident Finance Company PLC.

[4] 72% owned by Unum European Holding Company Limited and 28% owned by UnumProvident Finance Company PLC.

unum

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 Accident 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 Accident 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

Unum is a registered trademark and marketing brand of Unum Group and its insuring subsidiaries.

EXHIBIT
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