



Janet T. Mills
Governor

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
34 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0034

Eric A. Cioppa
Superintendent

June 17, 2020

Eric A. Cioppa, Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 24-A M.R.S. §221 and in conformity with your instructions, a financial examination has been made of the

UNUM INSURANCE COMPANY

a Maine domestic stock, life insurance company. The examination was conducted at its statutory home office in Portland, Maine. The following report is respectfully submitted.



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REPORT OF EXAMINATION
UNUM INSURANCE COMPANY
AS OF
DECEMBER 31, 2018

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of Unum Insurance Company dated June 17, 2020, was delivered to that insurer on June 24, 2020; and

WHEREAS Unum Insurance Company and Bureau of Insurance staff have agreed to certain modifications with respect to the Report of Examination; and

WHEREAS I find such modifications proper; and

WHEREAS no hearing with respect to the Report of Examination has been requested by Unum Insurance Company;

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S. §226 (3).

Dated:

June 30, 2020

Eric A. Cioppa
Eric A. Cioppa, Superintendent

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SCOPE OF EXAMINATION

Unum Insurance Company (the “Company” or UIC), formerly known as The Paul Revere Variable Annuity Insurance Company (PRVAIC), was last examined as of December 31, 2013, by the Commonwealth of Massachusetts Division of Insurance (MDOI). The prior full-scope examination covered the period from January 1, 2009 through December 31, 2013. The present full-scope risk focused examination was conducted by State of Maine Bureau of Insurance (MBOI) and covered the period from January 1, 2014 through December 31, 2018.

This examination was a group coordinated examination. The MBOI served as the lead state on the examination and three other states accepted the invitation to participate on the coordinated examination of certain Unum Group companies. The Tennessee Department of Commerce and Insurance, MDOI and New York Department of Financial Services served in the capacity of participating states.

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (NAIC), in conformity with statutory accounting practices, NAIC guidelines, the 2019 Financial Condition Examiners Handbook and the laws, rules, and regulations prescribed or permitted by the State of Maine. The examination consisted of a review of the Company's operations, controls, and corporate governance, valuation of assets, and determination of liabilities at December 31, 2018. The examination also included the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively. Ernst & Young (EY) performed the 2018 external audit of Unum Group and the Company. EY work papers were utilized for this examination to the extent deemed appropriate in order to enhance the effectiveness and efficiency of this examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination does not attest to the fair presentation of the financial statements included herein. Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

This examination report includes significant findings of fact, pursuant to 24-A M.R.S. §225 (1), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature, are not included herein, and are instead separately reported to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

None noted.

CURRENT EXAMINATION

None noted.

THE COMPANY

HISTORY

The Company, formerly known as PRVAIC, was incorporated under the laws of the Commonwealth of Massachusetts on August 6, 1965 as a stock company and was organized as a wholly owned subsidiary of The Massachusetts Protective Society, Incorporated (MPA). The Paul Revere Life Insurance Company (PRL), a Massachusetts domestic insurance company, was also a wholly owned direct subsidiary of MPA at that time. MPA’s name was changed to The Paul Revere Corporation (PRC) effective January 1, 1967. In September 1968, PRC sold all of the shares of the Company’s capital stock to PRL.

On March 27, 1997, PRC was acquired by and became a wholly owned direct subsidiary of Provident Companies, Inc., which is now known as Unum Group. PRC merged with and into PRL on December 30, 2008. The Company became a wholly owned direct subsidiary of Unum Group when PRL paid a dividend consisting of all of the shares of the Company’s capital stock to Unum Group on August 13, 2014.

Effective December 19, 2014, the Company re-domesticated from the Commonwealth of Massachusetts to the State of Maine. On April 8, 2015, the Company changed its name from PRVAIC to UIC.

CORPORATE OWNERSHIP

UIC is a wholly owned subsidiary of Unum Group, a Delaware general business corporation that acts as a holding company for insurance and non-insurance subsidiaries. The Company is significantly dependent on Unum Group for business operations, administrative and other services. Unum Group’s insurance and non-insurance subsidiaries operate in the United States (U.S.), the United Kingdom, Poland and in certain other countries. At December 31, 2018, Unum Group consisted of thirty-five affiliated companies operating under common management and control. An abbreviated organizational chart as of December 31, 2018 is presented below:



Unum Group’s reporting segments at December 31, 2018 included the following: Unum US, Unum International, Colonial Life, Closed Block and Corporate. The Company’s business is part of the Unum US reporting segment. The Unum US segment includes the following lines of business: group long-term and short-term disability insurance, group life and accidental death and dismemberment products, individual disability insurance (IDI), voluntary benefits, and dental and vision products. Unum US products are issued primarily by Unum Life Insurance Company of America, Provident Life and Accident Insurance Company and Starmount Life Insurance Company. The Closed Block segment consists of IDI, group and individual LTC and other insurance products that are no longer actively marketed. At December 31, 2018, Unum Group has two Vermont domiciled captive insurers that were established for the limited purpose of reinsuring business attributable to certain policies issued by Unum Group subsidiary insurance companies, Fairwind Insurance Company and Northwind Reinsurance Company.

The corporate ownership structure for U.S. based insurance entities within Unum Group follows:

	NAIC Co. Code	Domiciliary State
Unum Group		DE
First Unum Life Insurance Company	64297	NY
Unum Life Insurance Company of America	62235	ME
Colonial Life & Accident Insurance Company	62049	SC
Fairwind Insurance Company		VT
Northwind Holdings, LLC		DE
Northwind Reinsurance Company	13031	VT
The Paul Revere Life Insurance Company	67598	MA
Unum Insurance Company	67601	ME
Provident Life and Accident Insurance Company	68195	TN
Provident Life and Casualty Insurance Company	68209	TN
H&J Capital, LLC		LA
Starmount Life Insurance Company	68985	ME

CORPORATE RECORDS

The Company’s articles of incorporation, by-laws, and minutes of the board of directors meetings held during the period under examination were reviewed.

CORPORATE GOVERNANCE

The Company is governed and overseen by the board of directors and the management team of Unum Group. The Company maintains its own board of directors and corporate officers, thereby satisfying certain legal and insurance regulatory requirements.

At December 31, 2018, Unum Group’s Board of Directors (the “Board”) consisted of ten independent directors as well as Richard P. McKenney, Unum Group’s President and Chief Executive Officer. The Board approves the strategic direction of Unum Group’s business and

financial objectives, monitors the effectiveness of management's implementation of policies and plans and provides oversight and support in achieving corporate objectives.

The Board has five standing committees: Audit Committee, Risk and Finance Committee, Governance Committee, Human Capital Committee, and Regulatory Compliance Committee. Unum Group also has an Investment Committee comprised of senior officers of Unum Group. The duties and responsibilities of the committees are set forth in Unum Group's by-laws and committee charters as applicable.

As of December 31, 2018, UIC's board of directors consisted of the following members:

<u>Name</u>	<u>Title</u>
Michael Quinn Simonds*	President and Chief Executive Officer, Unum US
Puneet Bhasin	Executive Vice President, Chief Information and Digital Officer
Lisa Gonzalez Iglesias	Executive Vice President, General Counsel, Unum Group
John Francis McGarry*	Executive Vice President, Chief Financial Officer, Unum Group
Stephen Joseph Mitchell*	Senior Vice President, Chief Financial Officer US Finance
Cherie Antoinette Pashley*	Senior Vice President, Tax and Treasury
Steven Andrew Zabel*	Senior Vice President, President, Closed Block Operations

The Company's officers, as listed in the December 31, 2018 statutory annual statements, are:

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

* See below for a summary of changes to the Company's officers and directors subsequent to December 31, 2018:

Effective July 1, 2019, John Francis McGarry resigned as an officer of Unum Group and an officer and director of the Company due to his retirement. Mr. McGarry served as Executive Vice President and Chief Financial Officer of Unum Group from April, 2015 through June, 2019 and prior to that served as President and Chief Executive Officer, Closed Block Operations of Unum Group and in various other capacities within Unum Group and Unum predecessor companies.

Effective July 1, 2019, Steven Andrew Zabel, formerly Senior Vice President, President, Closed Block Operations of Unum Group was appointed as Executive Vice President, Chief Financial Officer of Unum Group and Executive Vice President, Finance of the Company. Mr. Zabel first

began his tenure at Unum Group in August, 2013 as Chief Risk Officer and served as President, Closed Block Operations from May, 2015 through June, 2019.

Effective July 1, 2019, Marylou Ryan Murphy was promoted to Senior Vice President, Closed Block Operations of Unum Group and appointed to the UIC board of directors.

Effective July 1, 2019, Scott Allan Carter was appointed as Senior Vice President, Chief Actuary of Unum Group and the Company and Appointed Actuary of the Company.

Effective February 1, 2020, Michael Quinn Simonds was appointed as Chief Operating Officer of Unum Group.

Effective March 18, 2020, Stephen Joseph Mitchell resigned as Senior Vice President, Chief Financial Officer and, effective March 19, 2020, as a director of the Company.

Effective March 18, 2020, Daniel Jason Waxenberg was appointed as Senior Vice President, Global Financial Planning and Analysis of the Company. Effective March 19, 2020, Mr. Waxenberg was elected as a director of the Company.

Effective March 18, 2020, Cherie Antoinette Pashley was appointed as Senior Vice President, Chief Accounting Officer and Head of Treasury of the Company. Effective March 19, 2019, Ms. Pashley resigned as a director of the Company.

Effective March 19, 2020, Christopher Wallace Pyne was elected as a director of the Company.

TRANSACTIONS WITH AFFILIATES

The Company receives certain administrative and management services, including but not limited to: general management services and consultation; facilities management; information systems and records management; legal, regulatory, and compliance counsel; risk management; tax; human resources; internal audit; cash management; financial management; actuarial; pricing; and corporate relations and marketing and product support, management, and services including but not limited to: marketing; sales management; underwriting; claims; client services; and system support from Unum Group under the terms of a written general services agreement.

The Company is a party to a written tax sharing agreement with its parent and affiliates. The agreement provides that the portion of the consolidated tax liability allocated to the Company is based on its separate tax return liability.

The Company is party to a written investment management agreement with its affiliate, Provident Investment Management, LLC (PIM), under which PIM serves as the Company's investment advisor with regard to designated assets.

The Company engages in short-term intercompany lending activities and during the examination period borrowed money from Unum Group. At December 31, 2018, borrowed money consisted of \$1,000,000 due to Unum Group.

TERRITORY & PLAN OF OPERATION

The Company is licensed in the District of Columbia and all states except New York. From 2000 through 2017, UIC fully ceded all policies (primarily life insurance and annuity products) excluding a small portion of deposit-type contracts. UIC continues to run off their legacy blocks of business. Beginning in 2018, UIC began writing a group critical illness product in the employer group benefits market.

REINSURANCE

Effective April 30, 1998, the Company entered into a coinsurance agreement with American General Annuity Insurance Company, which is now American General Life Insurance Company (AG), to reinsure 100% of its in-force block of individual and tax-sheltered annuity business. The Company also has in place an Administrative Services Agreement which provides for the business ceded to be administered by the reinsurer.

Effective July 1, 2000, the Company entered into a reinsurance agreement with Reassure America Life Insurance Company, which is now Jackson National Life Insurance Company (“Jackson”), to reinsure on a 100% indemnity coinsurance basis all of the individual life insurance written by the Company. Jackson is also responsible for the administration of the policies.

As of December 31, 2018, the Company's ceded reserves totaled \$510,726,107, of which approximately 99.9% were ceded to AG and Jackson. As of December 31, 2018, the Company ceded reserves of \$437,013,798 to AG and \$73,112,777 to Jackson.

FINANCIAL STATEMENTS

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Operations, and the Statement of Capital and Surplus are as presented by management and audited by the Company's external auditors. It should be noted that these financial statements have not been audited by the MBOI and thus the MBOI does not express an opinion on the financial statements as a whole.

**STATEMENT OF ADMITTED ASSETS, LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2018**

Assets

Bonds	\$ 56,595,226
Cash	130,092
Other invested assets	<u>1,407,275</u>
Subtotals, cash and invested assets	<u>58,132,593</u>
Investment income due and accrued	446,294
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	704,462
Reinsurance:	
Other amounts receivable under reinsurance contracts	127,605
Current federal and foreign income tax recoverable and interest thereon	52,331
Net deferred tax asset	346,160
Guaranty funds receivable or on deposit	27,487
Receivables from parent, subsidiaries and affiliates	902,316
Aggregate write-ins for other than invested assets	<u>159,230</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	60,898,479
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>1,901,281</u>
Total Assets	<u>\$ 62,799,760</u>

Liabilities

Liability for deposit-type contracts	\$ 5,286,495
Contract claims:	
Accident and health	1,027,382
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	264,112
Interest maintenance reserve	3,642,483
Commissions to agents due or accrued	182,242
Taxes, licenses and fees due or accrued, excluding federal income taxes	69,843
Remittances and items not allocated	365,194
Borrowed money and interest thereon	1,001,480
Miscellaneous liabilities:	
Asset valuation reserve	500,965
Reinsurance in unauthorized and certified	76,708
Aggregate write-ins for liabilities	<u>1,564,818</u>
Total liabilities excluding Separate Accounts business	13,981,721
From Separate Accounts Statement	<u>1,901,281</u>
Total liabilities	<u>\$ 15,883,001</u>

Capital and Surplus

Common capital stock	\$ 2,500,000
Aggregate write-ins for other than special surplus funds	445,001
Gross paid in and contributed surplus	48,800,000
Unassigned funds (surplus)	(4,828,242)
Surplus	<u>44,416,759</u>
Total capital and surplus	<u>\$ 46,916,759</u>
Total liabilities, capital and surplus	<u>\$ 62,799,760</u>

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2018

Premiums and annuity considerations for life and accident and health contracts	\$ 4,791,895
Net investment income	2,130,235
Amortization of Interest Maintenance Reserve	272,850
Commissions and expense allowances on reinsurance ceded	1,116,536
Miscellaneous income:	
Incomes from fees associated with investment management, administration and contract guarantees from Separate Accounts	34,320
Aggregate write-ins for miscellaneous income	<u>20,504</u>
Total	<u>\$ 8,366,341</u>
Disability benefits and benefits under accident and health contracts	2,395,807
Interest and adjustments on contract or deposit-type contract funds	<u>259,808</u>
Totals	\$ 2,655,615
Commissions on premiums, annuity considerations, and deposit-type contract funds	1,518,279
General insurance expenses	2,345,954
Insurance taxes, licenses and fees, excluding federal income taxes	464,399
Aggregate write-ins for deductions	<u>8,223</u>
Totals	<u>\$ 6,992,470</u>
Net gain from operations before dividends to policyholders and federal income taxes	1,373,871
Net gain from operations after dividends to policyholders and before federal income taxes	1,373,871
Federal and foreign income taxes incurred	<u>161,931</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains	1,211,940
Net realized capital gains less capital gains tax	<u>4,682</u>
Net income	<u>\$ 1,216,622</u>

**STATEMENT OF CAPITAL AND SURPLUS
YEAR ENDED DECEMBER 31, 2018**

Capital and surplus, December 31, prior year	<u>\$ 46,092,562</u>
Net income	1,216,622
Change in net unrealized capital gains less capital gains tax	(2,549)
Change in net deferred income tax	31,646
Change in nonadmitted assets	(71,992)
Change in liability for reinsurance in unauthorized and certified companies	410
Change in asset valuation reserve	8,959
Surplus adjustment:	
Change in surplus as a result of reinsurance	<u>(358,899)</u>
Net change in capital and surplus	<u>824,197</u>
Capital and surplus, December 31, 2018	<u>\$ 46,916,759</u>

COMMENTS ON THE FINANCIAL STATEMENTS

NOTE 1 – RESERVES

Lewis & Ellis, Inc., (“consulting actuary”) was engaged to provide actuarial assistance with the financial examination of the Company as of December 31, 2018. The consulting actuary’s review included: participation in interviews and discussions with key personnel, including the Appointed Actuary, to gain an understanding of the corporate structure, products, services, and reserving and pricing processes, and to determine where the majority of risks lie; review of controls to mitigate certain reserving and pricing risks; review of the 2018 Statement of Actuarial Opinion and Actuarial Memorandum prepared by the Appointed Actuary; and review of the external auditor’s conclusions regarding the carried reserves. The reserves as reported by the Company were determined to be reasonable based on the review performed by the consulting actuary.

NOTE 2 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the five-year period since the MDOI’s last examination of the Company, dated December 31, 2013:

Capital and surplus, December 31, 2013	<u>\$ 40,100,467</u>
Net income	9,742,958
Change in net unrealized capital gains less capital gains tax	(3,990)
Change in net deferred income tax	(603,379)
Change in nonadmitted assets	(12,473)
Change in liability for reinsurance in unauthorized and certified companies	(76,708)
Change in asset valuation reserve	(20,258)
Surplus adjustment:	
Change in surplus as a result of reinsurance	<u>(2,209,858)</u>
Net change in capital and surplus	<u>6,816,292</u>
Capital and surplus, December 31, 2018	<u>\$ 46,916,759</u>

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the U.S. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The MBOI is expecting the COVID-19 outbreak to impact a wide range of insurance products and other areas of operations of insurers. The MBOI and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through

a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The MBOI has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position and will continue to monitor the situation.

SUMMARY OF RECOMMENDATIONS

There are no report level recommendations.

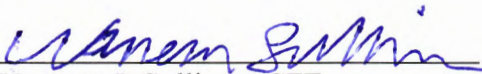
**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Vanessa J. Sullivan, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Eric A. Cioppa, Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, she has made an examination of the condition and affairs of the

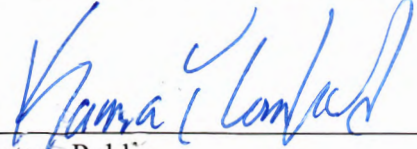
UNUM INSURANCE COMPANY

located in Portland, Maine as of December 31, 2018, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. Noble Consulting Services, Inc., under contract with the Maine Bureau of Insurance, performed the examination. The following examiners from the Maine Bureau of Insurance assisted:

Arias Wan, CPA, CFE
Audrey L. Wade, CFE, CISA
Jeremy C. Finch
Erin L. Gaddis


Vanessa J. Sullivan, CFE

Subscribed and sworn to before me
This 30 day of June, 2020


Notary Public
My Commission Expires: June 12, 2023

KARMA LOMBARD
Notary Public, Maine
My Commission Expires June 12, 2023