REPORT ON EXAMINATION

of the

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY

1 Fountain Square

Chattanooga, Tennessee 37402

as of

December 31, 2005

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

EXHIBIT

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TABLE OF CONTENTS

STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
INSURANCE DIVISION
500 JAMES ROBERTSON PARKWAY - 4TH FLOOR
NASHVILLE, TENNESSEE 37243-1135

Chattanooga, Tennessee
June 8, 2007

Honorable Alfred W. Gross Chairman, NAIC Financial Condition (E) Committee Virginia Bureau of Insurance P. O. Box 1157 Richmond, Virginia 23218-1157	Honorable Leslie A. Newman Commissioner of Commerce & Insurance State of Tennessee 500 James Robertson Parkway Nashville, Tennessee 37243
Honorable Thomas E. Hampton Secretary, Northeastern Zone, NAIC Department of Insurance Government of the District of Columbia 810 First Street N.E., Suite 701 Washington, DC 20002	Honorable Julie Mix McPeak Secretary, Southeastern Zone, NAIC Office of Insurance Commonwealth of Kentucky P.O. Box 517 Frankfort, Kentucky 40602-0517
Honorable Merle D. Scheiber Secretary, Midwestern Zone, NAIC South Dakota Division of Insurance Department of Revenue and Regulation 445 East Capital Avenue Pierre, South Dakota 57501-3185	Honorable Kent Michie Secretary, Western Zone, NAIC Utah Department of Insurance 3110 State Office Building Salt Lake City, Utah 84114-1201

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 was made of the conditions and affairs of the

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY
CHATTANOOGA, TENNESSEE

hereinafter and generally referred to as the "Company."

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 January 17, 2006, 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 only Delaware, which sent two (2) zone examiners who participated in the completion of this examination. This examination was made simultaneously with the Company's affiliate, Provident Life & Casualty Insurance Company (PLC).

The previous examination was made as of December 31, 2000, by examiners of the State of Tennessee. Their report on examination contained one recommendation that required corrective action by the TDCI. The Company responded to the problem mentioned in the last report. See Comments - Previous Examination section included under Scope of Examination on page 3.

SCOPE OF EXAMINATION

This examination covers the period, January 1, 2001, through December 31, 2005, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of examination.

During the course of examination, assets were verified and valued, and liabilities were determined or estimated as of December 31, 2005, in accordance with rules and procedures as prescribed by the statutes of Tennessee, the Company's state of domicile. The examination of the financial condition of the Company was conducted in accordance with guidelines and procedures contained in the *NAIC Financial Condition Examiners Handbook.*

This examination is purely a financial examination made on the Company and does not include any review or procedures performed concerning market conduct matters. At the time of this examination, the Company was still performing its obligations under settlement agreements with forty-eight (48) states and the District of Columbia concerning a multi-state market conduct examination performed in 2004. The settlement agreements will remain in place until December 31, 2007, and do not allow for market conduct exams to be performed by states that are a party to the agreements.

An examination of all assets and liabilities contained in the financial statement of this report was made and individual items were verified with a degree of emphasis determined by the examiner-in-charge during the planning stage of the examination. Independent actuaries were utilized in the review of the Company's life and accident and health aggregate reserves, and contract claims. In addition, independent reinsurance specialists were utilized in the review of the Company's reinsurance agreements and overall reinsurance program.

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, 2000 noted several minor comments that the Company corrected during the exam and made one recommendation, which the Company was directed to comply with in thirty (30) days as stated in the "Order Adopting Examination Report". The Company disagreed with the Department's interpretation of the law and stated that they believe they are in compliance with the intent and requirements of the law and requested that the recommendation be removed from the examination report. Here is a description of the recommendation and the Company's response:

- Recommendation: The Company was directed to comply with Tenn. Code Ann. § 56-2-104(a)(5) by locating and maintaining all original books and records of the Company in the State of Tennessee.
- Company's Original Response dated June 26, 2003: The Department has not, to our knowledge, advised the Company as to what comprises or constitutes original books and records. Additionally, to our knowledge, the Department has not published by rule or regulation what comprises or constitutes original books and records. When the statute was drawn, it is our understanding that the minutes of board meetings and the general ledger were typically considered the original books and records. The minutes of our board meetings, the charter and its amendments, and the Company's general ledger, which are the items that we consider the Company's original records, are maintained in the Company's Chattanooga, Tennessee offices. The Company believes that it is in compliance with the intent and requirements of the Tennessee Code Annotated and kindly requests that this comment be removed from the examination report. We believe that it would be in the best interest of all parties if this matter was clarified and published to enable compliance as required by the Department.

  Follow up during examination: For the most part, it appears that most of the Company's original books and records are located at their home office in Chattanooga, Tennessee. However, due to the Company's merger with Unum Corporation on June 30, 1999, some operations are also performed at Portland Maine, Worcester Massachusetts, and Columbia South Carolina. The examiner noted that access to these records, as well as all requested records, was provided to the examiner on a timely basis during the exam.

The Company is audited annually as part of the audit conducted for the holding company system, of which it is a member, by an independent accounting firm. The auditors' workpapers for the year ended 2005 were made available to the examiners during the planning phase of this examination. Workpapers of the auditors' substantive testing and their documentation of the Company's procedures and verification of internal controls were relied upon where sufficient for the purposes of this examination. Copies of these workpapers are included in the examination files where appropriate.

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
- Schedule T – Premiums and Annuity Considerations
- Mortality and Loss Experience
- Reinsurance
- Unearned Ceding Commission
- Agreements with Parent, Subsidiaries and Affiliates
- Litigation and Contingent Liabilities
- Statutory Deposits
- Accounts and Records
- 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 Department, the Company received cash of $150,000,000 from its parent, in exchange for a variable interest rate surplus note which matures 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 now operates 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.

At December 31, 2005, 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 UnumProvident. UnumProvident is the ultimate parent of the Company. Paul Revere Life and Unum America are included in the holding company group of UnumProvident. UnumProvident's stock is publicly traded on the New York Stock Exchange.

The Company's capital structure appears in the 2005 Annual Statement as follows:

Common capital stock	$43,501,205
Aggregate write-ins for other than special surplus funds	238,952,040
Surplus notes	150,000,000
Gross paid in and contributed surplus	548,208,526
Unassigned funds (surplus)	363,027,491
Total capital and surplus	1,343,689,263

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
2001	$8,716,853,843	$7,717,532,597	$999,321,245	$1,403,514,839
2002	8,556,790,316	7,629,514,062	927,276,255	1,387,447,198
2003	9,075,668,304	7,914,363,739	1,161,304,564	1,351,700,770
2004	7,850,589,659	6,431,032,660	1,419,556,999	1,091,931,780
2005	7,952,621,834	6,608,932,571	1,343,689,263	1,043,802,661

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, 2005, 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. This was the only amendment to the Company's Charter during the period of this examination.

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. They are usual in nature and consistent with statute.

The Bylaws of the Company in effect at December 31, 2005, are the Company's Amended and Restated Bylaws that were adopted by the Board of Directors on September 27, 2005 and filed with the TDCI on April 28, 2006. There were only minor changes made to the Company's Bylaws from the one (1) previously in effect since February 1, 1990. This was the only change to the Company's Bylaws during the period of this examination.

The Bylaws provide for an annual shareholders' meeting at which a Board of Directors is elected. Officers are elected by the Board of Directors. The Bylaws are such as generally found in corporations of this type and contain no unusual provisions. They provide for the regulation of the business and for the conduct of the affairs of the Company, the Board of Directors and its shareholders.

Dividends to Stockholders

The Company paid numerous ordinary cash dividends to its shareholders during the period of examination. All of the Company's dividends were determined to be ordinary based upon its definition as stated in Tenn. Code Ann. § 56-11-206(b)(2). In addition, the Company notified the TDCI of all of the ordinary cash dividends in accordance with Tenn. Code Ann. § 56-11-205(e). The following table lists each dividend amount, the date the Company notified the TDCI of the dividend, and the date the Company paid the dividend to its shareholders.

Year	Notify Date	Paid Date	Dividend Amount
2001:	03/12/01	03/31/01	$13,800,000
	05/16/01	06/30/01	13,700,000
	08/07/01	09/28/01	13,800,000
	12/18/01	12/31/01	13,700,000
			$55,000,000

Year	Notify Date	Paid Date	Dividend Amount
2002:	03/04/02	03/29/02	$10,000,000
	06/11/02	06/28/02	10,000,000
	12/11/02	12/30/02	10,000,000
			$30,000,000
2003:	02/27/03	03/28/03	$10,000,000
2004:	12/10/04	12/31/04	$70,000,000
2005:	03/07/05	03/29/05	$45,000,000
	06/02/05	06/29/05	45,000,000
	08/05/05	08/31/05	65,000,000
			$155,000,000

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. 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. 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 September 27, 2005, and were serving as members of the Board of Directors at December 31, 2005:

Name
Robert O'Hara Best
Charles Louis Glick
Robert Carl Greving
Thomas Ros Watjen
Joseph Michael Zubretsky

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 persons were duly elected by the Board of Directors on September 27, 2005, and were serving as officers of the Company at December 31, 2005:

Name	Title
Thomas Ros Watjen	President and Chief Executive Officer
Susan Nance Roth	VP, Corporate Secretary and Asst. General Counsel
Robert O'Hara Best	Executive VP, The Client Services Center and Chief Information Officer
Charles Louis Glick	Executive VP and General Counsel
Kevin Paul McCarthy	Executive VP, Underwriting
Vicki Wright Corbett	Vice President, Controller
John Joseph Iwanicki	Vice President, Treasurer
Robert Carl Greving	Executive VP, Chief Financial Officer and Chief Actuary
Joseph Michael Zubretsky	Senior Executive VP, Finance, Investments and Corporate Development
Roger Carl Edgren	Executive VP, Field Sales
Joseph Richard Foley	Senior Vice President and Chief Marketing Officer
Albert Angelo Riggieri	Vice President and Appointed Actuary

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 finance committees. Members of these committees at the examination date were as follows:

Executive Committee

Thomas Ros Watjen * — * - denotes committee chairman
Charles Louis Glick
Joseph Michael Zubretsky

Finance Committee

Joseph Michael Zubretsky * — * - denotes committee chairman
Robert Carl Greving

The following persons were appointed as members of the investment sub-committee of the finance committee of the Board of Directors of the Company and were serving as such at the examination date:

Investment Sub-Committee

Robert A. Brant
David G. Fussell
Sue W. Munson
Robert C. Greving
John J. Iwanicki

Martha D. Leiper
Ben S. Miller
Susan N. Roth
W. Benson Vance
Thomas A. H. White

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-201. 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 UnumProvident. UnumProvident is the ultimate parent of the Company. The Company operates as a subsidiary of UnumProvident, a non-insurance holding company incorporated in Delaware. Paul Revere Life and Unum America are also included in the holding company group of UnumProvident. UnumProvident's stock is publicly traded on the NYSE. An organizational chart is included at the end of this report.

PECUNIARY INTEREST OF OFFICERS AND DIRECTORS

The Company's parent, UnumProvident, has established a conflict of interest policy for its officers, directors and employees. The policy in effect as of the examination date was enacted in May of 2003. The policy is detailed and describes all aspects of what constitutes a conflict, how they should be avoided and employee procedures related to them.

Directors, officers and certain employees are required to complete a Code of Business Practices and Ethics Annual Affirmation. This questionnaire is used for all entities within the holding company system and persons required to complete the certificate sign only one form regardless of the number of positions they hold with different companies throughout the system. The examiner reviewed the questionnaires completed by the Company's directors and major officers for the period under review with no exceptions.

CORPORATE RECORDS

The minutes of meetings of the Company's Shareholders, Board of Directors, and committees were reviewed for the period under examination. They appear to properly reflect the acts of these respective bodies.

FIDELITY BOND AND OTHER INSURANCE

The Company is listed as a named insured on the following insurance coverages maintained by UnumProvident Corporation at December 31, 2005:

Professional Liability	Professional Liability Excess
Property	Business Auto
Commercial General Liability	Commercial Umbrella
Workers' Compensation	Commercial Excess Liability
Aviation Liability	Foreign Liability

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 coverages were in effect as of the date of this examination report.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company receives all management, administrative and general services from UnumProvident in accordance with the General Services Agreement that is described later in the report under the heading Agreements with Parent, Subsidiaries and Affiliates. As of December 31, 2005, the Company had no employees, therefore no employee benefit plans. However, UnumProvident provides its employees with term life insurance, medical insurance, disability insurance and a 401(k) retirement plan.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2005, and as of the date of this examination report, the Company is a stock for profit life insurance company licensed to transact business in the District of Columbia, Puerto Rico, Canada 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 2005.

The Company currently has no applications pending for admission to any other states or territories. Premium tax records were reviewed for all states in which the Company writes business and no exceptions were noted.

Plan of Operation

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

The Company has used and continues to use as its primary method of distribution an employed group of sales representatives marketing products to independent brokers. The independent producers are independent of the Company and are free to market and sell products from other insurance providers. Products sold through the independent producer channel include group based products (paid for by the employer), individual based products (paid for by the individual or by the employer as an executive benefit) and employee paid voluntary benefit products.

In recent years, new business growth has been coming increasingly from the employee benefits segment, as the Company, like the industry, has sought to diversify its customer base to include professionals, executives and others in the middle income range. Prior to 1995, almost all of the Company's individual disability income insurance was sold to high-income individuals, such as doctors and lawyers, on a non-cancelable basis with an "own-occupation" provision. While historically this line of business had been a significant contributor to the Company's earnings, that trend was reversed in the early 1990s as claims from doctors and lawyers accelerated and extended. The Company discontinued sales of the traditional non-cancelable, "own-occ" policies in 1995, and it has been phasing out sales of these products. The Company is now focusing on "loss of earnings" contracts, which insure income rather than occupation. While the Company continues to offer the traditional contracts on a limited basis, they have been repriced and modified.

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	$8,852,600	$19,942,919	$0
Alaska	YES	3,166,135	972,944	0
Arizona	YES	3,714,006	14,985,630	0
Arkansas	YES	4,075,541	6,214,448	340
California	YES	23,165,344	102,679,090	0
Colorado	YES	18,499,579	11,051,556	0
Connecticut	YES	2,451,085	13,074,796	0
Delaware	YES	428,088	2,105,207	0

District of Columbia	YES	652,061	4,294,424	0
Florida	YES	28,678,085	55,003,089	0
Georgia	YES	29,452,350	33,439,998	2,250
Hawaii	YES	1,641,656	2,589,377	0
Idaho	YES	387,974	1,218,248	0
Illinois	YES	10,377,244	34,198,874	0
Indiana	YES	5,821,416	10,579,724	435
Iowa	YES	2,290,998	3,515,137	0
Kansas	YES	1,705,865	5,262,388	0
Kentucky	YES	6,611,745	11,096,277	600
Louisiana	YES	6,794,822	12,536,774	0
Maine	YES	632,461	2,893,384	0
Maryland	YES	6,293,577	24,225,869	813
Massachusetts	YES	3,249,026	24,101,330	7,000
Michigan	YES	8,622,285	43,874,410	3,500
Minnesota	YES	2,829,154	11,361,135	600
Mississippi	YES	4,366,134	7,695,081	0
Missouri	YES	9,876,461	13,078,326	3,000
Montana	YES	295,910	1,198,652	0
Nebraska	YES	1,113,447	3,935,648	0
Nevada	YES	2,554,011	3,234,836	0
New Hampshire	YES	423,071	3,408,473	0
New Jersey	YES	7,074,733	32,538,385	0
New Mexico	YES	2,488,029	2,347,534	0
New York	NO	1,629,031	5,341,737	0
North Carolina	YES	38,055,421	25,477,095	600
North Dakota	YES	137,427	616,728	0
Ohio	YES	17,549,569	27,479,063	0
Oklahoma	YES	1,745,324	4,881,712	0
Oregon	YES	1,095,848	6,642,560	0
Pennsylvania	YES	10,407,822	44,281,978	2,600
Rhode Island	YES	525,877	2,286,128	0
South Carolina	YES	9,934,679	17,946,133	1,100
South Dakota	YES	540,768	1,302,728	0
Tennessee	YES	36,584,984	26,824,257	13,853
Texas	YES	14,906,505	45,745,411	0
Utah	YES	1,211,692	2,475,018	0
Vermont	YES	1,103,904	1,397,958	0
Virginia	YES	12,923,367	21,470,246	22
Washington	YES	2,663,421	13,531,535	0
West Virginia	YES	26,156,903	3,401,915	0
Wisconsin	YES	3,987,126	9,781,428	0
Wyoming	YES	236,934	566,597	0
Guam	NO	243,565	220,056	0
Puerto Rico	YES	13,021	31,150	0
U. S. Virgin Islands	NO	670	17,933	0
Canada	YES	14,864	139,536	0
Aggregate Other	XXX	1,839,938	24,861,620	0
Total Direct Business		$392,093,552	$805,374,487	$36,713

MORTALITY AND LOSS EXPERIENCE

Life:

The actual to expected mortality on life business as developed from applicable amounts included in the Company's annual statements filed with the TDCI for the years indicated were as follows:

Year	Net Death Benefits Incurred	Reserves Released by Death	Actual Death Benefits Incurred	Expected Mortality	Mortality Experience Ratio
2001	$274,850,612	$5,717,558	$269,133,054	$47,596,222	565.45%
2002	211,083,946	6,719,037	204,364,909	48,822,557	418.59%
2003	171,708,281	7,324,411	164,383,870	51,836,698	317.12%
2004	147,075,089	8,182,153	138,892,936	69,281,453	200.48%
2005	136,181,389	8,852,982	127,328,407	63,483,028	200.57%

A&H:

The ratios of losses incurred to premiums earned on A&H business for the years indicated were as follows:

Year	Net Incurred Claims	Net Premiums Earned	Loss Experience Ratio
2001	$1,098,983,072	$1,051,815,543	104.48%
2002	1,176,291,470	1,053,046,024	111.70%
2003	1,093,837,124	1,042,372,220	104.94%
2004	883,313,765	798,395,704	110.64%
2005	770,271,619	764,110,070	100.81%
Total All Years	$5,022,697,050	$4,709,739,561	106.64%

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:	A 100% coinsurance agreement for all Group Long Term Disability contracts issued by the company prior to or after November 30, 2002.
Maximum Ceded Amounts:	100% of policy liabilities.

Assumed Reinsurance with Non-Affiliates

John Hancock Mutual Life Insurance Company

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

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.
Maximum Assumed Amounts:	100% of policy liabilities.

Ceded Reinsurance with Non-Affiliates

AIG Annuity Insurance Company

Effective Date:	April 30, 1998
Description:	An automatic coinsurance contract for individual WNL risks whereby the company cedes risks to reinsurer.
Maximum Ceded Amounts:	100% of ceding company exposures.

American Bankers Life Assurance Company

Effective Date:	May 1, 1999
Description:	An automatic coinsurance agreement for group life and accidental death risks whereby the company cedes risks to reinsurer.
Maximum Ceded Amounts:	100% of policy liabilities.

Employers Reinsurance Corporation

Effective Date:	January 1, 1992
Description:	An automatic coinsurance agreement for individual disability income risks 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 disability income insurance in force, provided that, in no event shall the reinsurer's indemnity exceed 50% part of the loss retained by the reinsured.

M Life Insurance Company

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

Munich American Reassurance Company

Effective Date:	April 1, 2003
Description:	An automatic and optional facultative coinsurance agreement for individual life risks whereby the company cedes risks to reinsurer.
Maximum Ceded Amounts:	40% quota share.

National Indemnity Company

Effective Date:	April 1, 2004
Description:	An automatic coinsurance agreement for individual disability risks whereby the company cedes risks to reinsurer.
Maximum Ceded Amounts:	Reinsurer's maximum limit of liability under this agreement is $1,286,731,000.

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% of policy liabilities.

Revios Reinsurance U.S. Inc.

Effective Date:	August 16, 1979
Description:	An automatic coinsurance agreement for individual life and waiver of premium disability risks wherein the company cedes risks to reinsurer.
Maximum Ceded Amounts:	50% of policy limits for any policies with face amounts of $100,000 or less. For policies with over $100,000 face amounts, the company retains the first $100,000 and cedes any amount over.

Swiss Re Life & Health America Inc.

Effective Date:	January 1, 1994
Description:	A facultative coinsurance agreement for individual disability risks wherein the company cedes risks to reinsurer.
Maximum Ceded Amounts:	Initially, 30% quota share ceded and then amended effective January 1, 1995 to 10% ceded.

Effective Date:	January 1, 1984
Description:	An automatic/facultative coinsurance agreement for individual disability risks whereby the company cedes risks to reinsurer.
Maximum Ceded Amounts:	Between $1,500 and $5,500 depending on age, type, and benefit period.

Effective Date: June 1, 1979

Description: An automatic/facultative coinsurance agreement for individual health risks whereby the company cedes risks to reinsurer.

Maximum Ceded Amounts: Between $750 and $1,250 depending on age, type, and benefit period.

Catastrophic Reinsurance

Effective Dates: January 1, 2005 – December 31, 2005

Description: A catastrophe excess of loss agreement 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: Up to $30M Ultimate Net Loss per accident or series of accidents arising out of one event in excess of $20M.

Reinsurer: MEGA Life & Health Insurance Company (33.33334%)

Effective Dates: January 1, 2005 – December 31, 2005

Description: A catastrophe excess of loss agreement 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: Up to $50M Ultimate Net Loss per accident or series of accidents arising out of one event in excess of $50M.

Reinsurers:

Arch Reinsurance Company Ltd. (10%)
AXIS Specialty Limited (12%)
Endurance Reins. Corp of America (11%)
Hannover Re (Bermuda) Limited (10%)
The TOA Reinsurance Company Ltd. (5%)
Platinum Underwriters Bermuda (4%)
Montpelier Reinsurance Ltd. (10%)
Lloyd's Syndicate 2020 WEL (10%)
BRIT Insurance Limited (12%)
New Hampshire Insurance Company (11%)
Odyssey America Reinsurance Corp (5%)

Effective Dates: January 1, 2005 – December 31, 2005

Description: A catastrophe excess of loss agreement 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: Up to $50M Ultimate Net Loss per accident or series of accidents arising out of one event in excess of $100M.

Reinsurers:

Arch Reinsurance Company Ltd. (7%)
AXIS Specialty Limited (11.5%)
Endurance Reins. Corp of America (8%)
Everest Reinsurance Company (16%)
Hannover Re (Bermuda) Limited (7%)
The TOA Reinsurance Company Ltd. (4.5%)
Platinum Underwriters Bermuda (4%)
Montpelier Reinsurance Ltd. (10%)
Lloyd's Syndicate 2020 WEL (4%)
BRIT Insurance Limited (4%)
Odyssey America Reinsurance Corp (4%)

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, 2005. The following are summaries of the agreements in effect as of this examination of the Company:

General Services Agreement with UnumProvident:

Effective April 11, 1998, the Company entered into a General Services Agreement with its parent, Provident Companies, Inc., now known as UnumProvident. According to the terms and provisions of the Agreement, UnumProvident agrees to provide the Company with certain administrative services for its internal operations and processing its insurance business. Such services include managerial and administrative support, marketing and 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 UnumProvident pursuant to the Agreement. The compensation paid by the Company to

UnumProvident 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 Company filed this Agreement for approval by the Commissioner as required by Tenn. Code Ann. § 56-11-206 on December 22, 1997. TDCI approved this Agreement on January 5, 1998.

Tax Allocation Agreement with UnumProvident:

Effective January 1, 2005, the Company entered into a Tax Allocation Agreement with their parent, UnumProvident, and other affiliated companies (UnumProvident Consolidated Group). The Agreement states the Company has elected through the provisions of the Internal Revenue Code to be included in its parent's (UnumProvident) 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 with no exceptions.

This agreement was disclosed by the Company in its 2005 Holding Company Registration Statement.

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. Under the terms 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 with no exceptions.

The Company filed this Agreement for approval by the Commissioner as required by Tenn. Code Ann. § 56-11-206 on May 11, 2004. TDCI approved this Agreement on June 11, 2004.

LITIGATION AND CONTINGENT LIABILITIES

During the period of examination and as of December 31, 2005, the Company is a defendant in a number of litigation matters. In some of these matters, no specified amount is sought. In others, very large or indeterminate amounts, including punitive and treble damages, are asserted. Most of the lawsuits can be categorized into those involving actions related to claims handling matters, other claim litigation, broker compensation, quoting processes, broker related litigation, and miscellaneous matters.

These lawsuits are for the most part in very preliminary stages. The outcome of the matters is uncertain, and the Company is unable to estimate a range of reasonably possible losses. An adverse outcome in one or more of these actions could, depending on the nature, scope, and amount of the ruling, materially adversely affect the Company's results of operations in a period, encourage other litigation, harm the Company's reputation and good will, and limit the Company's ability to write new business, particularly if the adverse outcomes negatively impact certain of the Company's financial strength ratings.

Multi-State Market Conduct Examination

In addition, in the fourth quarter of 2004, certain of UnumProvident's insurance subsidiaries, including the Company, entered into settlement agreements with state insurance regulators upon conclusion of a multi-state market conduct examination led by Maine, Massachusetts, and Tennessee relating to disability claims handling practices. A total of forty-eight (48) states and the District of Columbia were parties to the settlement agreements, which provide for changes in certain claims handling procedures, a claim reassessment process available to certain claimants whose claims were denied or closed during certain periods and who choose to participate, changes in governance to increase oversight of the claims handling and reassessment process, and contingent fines for non-compliance. In addition, the U.S. Department of Labor (DOL), which had been conducting an inquiry relating to certain ERISA plans, was a party to the settlement agreements, and the Office of the New York Attorney General (NYAG), which had engaged in its own investigation of the Company's claims handling practices, notified them that it was in support of the settlement and was, therefore, closing its investigation on this issue. In conjunction with the settlement, the Company recorded a charge of $9,800,000 before tax, or $9,300,000 after tax, in 2004.

The agreements will remain in place until the later of January 1, 2007, or the completion of an examination of claims handling practices and an examination of the reassessment process, both of which will be conducted by the lead state regulators. The settlement agreements also provide for a contingent fine of up to $145,000,000 to the U.S. insurance subsidiaries in the event that UnumProvident fails to satisfactorily meet the performance standards in the settlement agreements relating to the examinations referred to above. The parties to the agreements have subsequently agreed to extend the reassessment process until December 31, 2007, and UnumProvident expects to conclude the claim reassessment process by that time. The examinations will commence before or after that date. UnumProvident believes that due to the changes it has made to its claims operations to enhance the oversight functions, it is not probable that it will fail to meet the performance standards in the agreements when these examinations are concluded.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the named jurisdictions or custodians as of December 31, 2005.

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
Tennessee - Department of Insurance	US Treasury Bond 8.750%, Due 08-15-20 Cusip # 912810EG9	$1,033,290	$1,438,590	$1,000,000
	US Treasury Bond 7.50%, Due 11-15-16 Cusip # 912810DX3	591,142	753,654	600,000
Sub-Total		$1,624,432	$2,192,244	$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
Georgia - Department. of Insurance	US Treasury Bond 7.50%, Due 11-15-16 Cusip # 912810DX3	$98,524	$125,609	$100,000
New Mexico- Department. of Insurance	US Treasury Bond 7.50%, Due 11-15-16 Cusip # 912810DX3	157,638	200,974	160,000
North Carolina- Department. of Insurance	US Treasury Bond 7.50%, Due 11-15-16 Cusip # 912810DX3	24,631	31,402	25,000

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value
	US Treasury Bond 8.750%, Due 08-15-20 Cusip # 912810EG9	239,970	323,683	225,000
	US Treasury Bond 6.250%, Due 02-15-07 Cusip # 9128272J0	149,983	152,883	150,000
Virginia - Department. of Insurance	US Treasury Bond 7.125%, Due 02-15-23 Cusip # 912810EP9	254,324	323,398	250,000
Puerto Rico - Department of Insurance	Puerto Rico Municipal 5.50%, Due 07-01-08 Cusip # 745220BL6	$505,220	538,285	500,000
	Puerto Rico Municipal 5.50%, Due 07-01-21 Cusip # 745145R46	592,401	577,800	500,000
Canada – Office of Superintendent of Financial Institutions	Royal Bank of Canada 2.586%, Due 06/04/07 Cusip # 780087E65	$9,122,980	$8,056,675	$10,500,000
	Canada Generic Strip 8.954%, Due 06/01/06 Cusip # 13508ZXF4	4,220,835	4,314,064	5,087,500
	Canada Generic Strip 8.813%, Due 12/01/06 Cusip # 13508ZXG2	8,021,390	8,390,331	10,087,500
	Canada Generic Strip 9.052%, Due 12/01/09 Cusip # 13508ZXN7	3,095,392	3,765,309	5,087,500
	Canada Generic Strip 9.032%, Due 06/01/11 Cusip # 13508ZXR8	12,419,704	16,239,864	23,287,500

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value
	Canada Generic Strip 7.496%, Due 12/01/11 Cusip # 13508ZXS6	11,729,315	14,401,395	21,087,500
	Ontario Strip 8.472%, Due 06/02/11 Cusip # 68323ZTR0	5,694,358	7,178,990	10,375,000
	Holcim Capital Corp 6.91%, Due 09/17/17 Cusip # C4368#AB7	8,606,000	9,939,758	10,000,000
	PPX Investment Corp 8.01%, Due 02/09/17 Cusip # C7078@AB3	11,187,800	12,384,895	13,000,000
	Albertson's Inc 8.0%, Due 05/01/31 Cusip # 013104AL8	723,803	688,695	700,000
	Amerenenergy Generating 7.95%, Due 06/01/32 Cusip # 02360XAJ6	3,985,549	5,060,840	4,000,000
	Canadian National Railway Company 6.9%, Due 07/15/28 Cusip # 136375BD3	16,431,405	18,447,424	15,498,000
	Kerr-McGee Corp 7.75%, Due 3/15/32 Cusip # 492386AT4	3,261,980	3,678,615	3,100,000
	Lockheed Martin Corp 8.5%, Due 12/01/29 Cusip # 539830AK5	584,883	804,152	590,000

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value
	Raytheon Company 7.2%, Due 08/15/27 Cusip # 755111AF8	608,160	785,917	665,000
Sub-Total		101,716,243	116,410,958	134,975,500
Grand-Total		$103,340,675	$118,603,202	$136,575,500

Deposits with said jurisdictions or custodians were verified by direct correspondence with the custodian of such deposit.

The Company ceased writing business in Canada during 2004. The securities that were on deposit with Canada at December 31, 2005 were being released by the Canada Office of Superintendent of Financial Institutions (COSFI) in parts back to the Company. The Company had bonds with a book value of $29,474,306 on deposit with COSFI at December 31, 2006.

ACCOUNTS AND RECORDS

Tenn. Comp R. & Regs., ch. 0780-1-65.07 (3) 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 seven (7) consecutive years. The Company has used Ernst & Young, LLP as their public accountants for many years, however, they are in compliance with this regulation as they last switched partners in 2004 and have never used the same partner for more than seven (7) consecutive years.

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to establish values for assets and liabilities appearing in the Company's financial statements. Test checks, for selected periods, were made of premium receipts, investment income, interest due and accrued, claim payments, and other disbursements. 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.

Financial Statement

There follows a statement of assets, liabilities and a summary of operations as of December 31, 2005, 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	$7,100,992,701	$19,045,847	$7,081,946,854
Preferred Stocks	119,104,173		119,104,173
Common Stocks	162,846		162,846
Mortgage loans on real estate (First Liens)	74,594,560		74,594,560
Real Estate:			
Properties occupied by the Company	47,177,728		47,177,728
Properties held for the production of income	10,100,429		10,100,429
Properties held for sale	6,528,294		6,528,294
Cash and Cash Equivalents	58,288,844	14,028,325	44,260,519
Contract loans	74,409,132	984,174	73,424,958
Other Invested Assets	19,065,467		19,065,467
Receivables for securities	4,068,027		4,068,027
Investment Income Due and Accrued	116,771,090		116,771,090
Premiums and Considerations:			
Uncollected premiums and agents' balances in course of collection	27,432,333		27,432,333
Deferred premiums, agents' balances and installments booked but deferred and not yet due	33,790,055		33,790,055
Accrued retrospective premiums	30,256		30,256
Reinsurance:			
Amounts recoverable from reinsurers	26,278,856		26,278,856
Other amounts receivable under reinsurance contracts	5,482,602		5,482,602
Amounts receivable relating to uninsured plans	1,785,634		1,785,634
Current federal and foreign income tax recoverable	35,120,790		35,120,790
Net deferred tax asset	53,190,525		53,190,525
Guaranty funds receivable or on deposit	4,033,922		4,033,922
Aggregate write-ins for other than invested assets	134,213,570		134,213,570
Totals	$7,952,621,834	$34,058,346	$7,918,563,488

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts		$1,790,446,704
Aggregate reserve for accident and health contracts		4,259,870,819
Liability for deposit-type contracts		51,410,560
Contract claims:		
Life		35,959,841
Accident and health		87,493,019
Premiums and annuity considerations for life and accident and health contracts received in advance		15,318,571
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		54,655,151
Other amounts payable on reinsurance		13,518,379
Interest Maintenance Reserve (IMR)		100,950,595
Commissions to agents due or accrued		9,635,071
General expenses due and accrued		10,104,938
Taxes, licenses and fees due or accrued		5,592,481
Amounts withheld or retained by company as agent or trustee		754,133
Remittances and items not allocated		14,534,954
Miscellaneous liabilities:		
Asset valuation reserve		54,971,205
Reinsurance in unauthorized companies		91,320
Payable to parent, subsidiaries and affiliates		24,667,989
Liability for amounts held under uninsured A&H plans		409,356
Aggregate write-ins for liabilities		80,256,828
Total Liabilities		$6,610,641,914
Common capital stock	$43,501,205	
Deferred gains on reinsurance of inforce blocks of business	238,952,040	
Surplus notes	150,000,000	
Gross paid in and contributed surplus	548,208,526	
Unassigned funds (surplus)	327,259,803	
Total Capital and Surplus		1,307,921,574
Totals		$7,918,563,488

Summary of Operations

Premiums and annuity considerations for life and A&H contracts	$1,043,802,661	
Net investment income	550,060,598	
Amortization of Interest Maintenance Reserve (IMR)	8,563,774	
Commissions and expense allowances on reinsurance ceded	44,376,564	
Reserve adjustments on reinsurance ceded	28,982	
Aggregate write-ins for miscellaneous income	27,883,701	
Total Income		$1,674,716,280
Death benefits	$136,181,389	
Annuity benefits	89,645,076	
Disability benefits and benefits under A&H contracts	671,818,228	
Surrender benefits and withdrawals for life contracts	40,751,404	
Group conversions	1,500,928	
Interest and adjustments on contract or deposit-type contract funds	2,498,581	
Payments on supplementary contracts with life contingencies	145,404	
Increase in aggregate reserves for life and A&H contracts	160,277,436	
Total Benefits		1,102,818,446
Commissions on premiums, annuity considerations and deposit - type contract funds	$186,594,594	
Commissions and expense allowances on reinsurance assumed	692,864	
General insurance expenses	233,125,566	
Insurance taxes, licenses and fees, excluding federal income taxes	31,388,517	
Increase in loading on deferred and uncollected premiums	358,100	
Aggregate write-ins for deductions	4,507,412	
Total Expenses		456,667,053
Total Benefits and Expenses		$1,559,485,499
Net gain from operations before dividends to policyholders and federal income taxes		115,230,781
Dividends to policyholders		0
Net gain from operations after dividends to policyholders and before federal income taxes		115,230,781
Federal and foreign income taxes incurred		(8,618,363)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)		123,849,144
Net realized capital gains or (losses) less capital gains tax (excluding taxes transferred to the IMR)		(915,402)
Net Income		$122,933,742

Capital and Surplus Account

	2001	2002	2003	2004	2005
Total Capital and Surplus December 31, previous year	$1,008,031,871	$999,321,244	$927,276,255	$1,161,304,564	$1,419,556,999
Net income or (loss)	$16,411,295	($91,398,566)	$17,031,957	$329,869,654	$122,933,742
Change in net unrealized capital gains or (losses)	(27,168,418)	(17,204,937)	32,076,735	7,378,688	14,932,373
Change in net unrealized foreign exchange capital gain (loss)	(7,718,368)	(6,070,134)	23,287,329	31,885,926	132,271
Change in net deferred income tax	50,714,461	26,244,363	18,439,515	(56,381,910)	(47,045,699)
Change in non-admitted assets and related items	(58,956,594)	(8,074,850)	(18,245,634)	59,736,873	905,682 √
Change in liability for reinsurance in unauthorized companies	(937,539)	1,210,134	(165,496)	1,592,081	(71,418)
Change in reserve on account of change in valuation basis, (increase) or decrease	28,281,990	-0-	-0-	-0-	(2,163,446)
Change in asset valuation reserve	32,263,137	84,293,333	(20,165,964)	(6,944,705)	(19,510,607)
Cumulative effect of changes in accounting principles	42,809,876	-0-	-0-	-0-	-0-
Surplus adjustment:					
Paid in	-0-	-0-	231,120,790	-0-	-0-
Change in surplus as a result of reinsurance	(21,318,242)	(23,056,132)	(29,613,473)	(38,884,172)	(26,748,323)
Dividends to stockholders	(55,000,000)	(30,000,000)	(10,000,000)	(70,000,000)	(155,000,000)
Aggregate write-ins for gains and losses in surplus	(8,092,225)	(7,988,200)	(9,737,450)	-0-	-0-
Net change in total capital and surplus for the year	($8,710,627)	($72,044,989)	$234,028,309	$258,252,435	($111,635,425)
Total Capital and Surplus December 31, current year	$999,321,244	$927,276,255	$1,161,304,564	$1,419,556,999	$1,307,921,574

√ - This amount includes all adjustments made by the examiners during this examination.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION

ASSETS

Bonds:	$7,081,946,854
Cash and Cash Equivalents:	$44,260,519

Bonds, and Cash and Cash Equivalents have been reduced by $19,045,847 and $14,028,325, respectively, from what was reported by the Company in its 2005 Annual Statement. **Justification for Change:** Up until 2004, the Company was licensed and wrote business in Canada, and as a result had to have Statutory Deposits held in Canada. The Company sold its Canadian operations effective April 30, 2004 and ceased writing business in Canada. Canada has been releasing the Company's bonds from its custody since the sale of its Canadian business in 2004. However, it is a slow process and as of April 30, 2007, Canada still held bonds totaling $31,824,847 and Cash Equivalents totaling $14,028,325. However, as of April 30, 2007, the Company did have liabilities associated with its Canadian business totaling $12,779,000.

Tenn. Code Ann. § 56-1-405 states, "The commissioner shall allow to the credit of an insurance company in the account of its financial condition only such assets as are or can be made available for the payment of losses in Tennessee, but may credit any deposits of funds of the company set apart as security for a particular liability . . . ." Due to the Company not having control of the deposit, the difference between its Canadian deposits and its respective liabilities, will be non-admitted due to Tenn. Code Ann. § 56-1-405.

Canadian Deposit - Bonds	$31,824,847
Canadian Deposit – Cash Equivalents	14,028,325
Subtract: Canadian Liabilities	(12,779,000)
Total Canadian Deposits Non-Admitted	$33,074,172

Contract Loans:	$73,424,958

The amount shown above is $984,174 less than what was reported by the Company in its 2005 Annual Statement. **Justification for Change:** During the review of the policy loan cash values on the Company's Contact Information Access (CIA) system, it was determined that the Company should have non-admitted $984,174 in over loaned policy loans at December 31, 2005. The $984,174 difference will be non-admitted for this examination.

During the course of this examination, the Company improved process guidelines and controls on its CIA system to resolve this issue during the course of this examination.

Aggregate Reserve for Life Contracts:	$1,790,446,704
Aggregate Write-Ins for Liabilities:	$80,256,828

Aggregate reserve for life contracts is $8,145,041 more than reported by the Company in its 2005 Annual Statement and aggregate write-ins for liabilities is $6,435,698 less than reported by the Company in its 2005 Annual Statement. These changes are the result of a reclassification and the increase of a liability. **Justification for change:** The $8,145,041 amount was listed by the Company to be a group survivor income benefit reserve (Group SIB) and was included in aggregate write-ins for liabilities by the Company in their 2005 Annual Statement. This amount will be reclassified to aggregate reserve for life contracts for this examination based upon the opinion of the TDCI's contracted actuarial specialists, Lewis & Ellis, Inc.

The Group SIB liability represents benefits paid in monthly installments to eligible survivors, which generally include the surviving spouse and children. The amount of monthly income is generally a fixed percentage of the employee's salary immediately preceding death. Benefits may be paid for a fixed period or until remarriage or attainment of a limiting age, such as 62 or 65. The survivors have no choice of alternative forms of payments in lieu of monthly payments. It is Lewis & Ellis, Inc. (TDCI's Actuary) opinion that this liability should be reported in Exhibit 5 of the Annual Statement under supplementary contracts. Therefore, based upon the actuary's recommendation, the $8,145,041 amount has been reclassified from aggregate write-ins for liabilities to aggregate reserve for life contracts.

Furthermore, the aggregate write-ins for liabilities in the Company's 2005 Annual Statement contained a Pensioner Life reserve of $30,115,056. The liability for this generally originates when an employer deposits a lump sum to establish a Retired Lives Reserve (RLR) for an employer provided retiree group. Lewis & Ellis, Inc. during their review of the reported liability amount for the Pensioner Life reserve, noted that some amounts contained in the seriatim detail did not tie back to the amounts reported by the Company. The seriatim detail file showed the Pensioner Life reserve to be understated by $1,709,343 in the 2005 Annual Statement. The $1,709,343 understatement in aggregate write-ins for liabilities will be increased for this examination.

A RLR is a group product that has the basic objective of providing continuing life insurance beyond retirement. Lewis & Ellis, Inc. believes that given that this liability represents a RLR, reporting this amount as an aggregate write-in liability as opposed to recording it in Exhibit 5 of the Company Annual Statement is acceptable.

Aggregate Reserve for Accident and Health Contracts: $4,259,870,819

The amount shown above is the same as reported by the Company in its 2005 Annual Statement. **Justification for Comment and Recommendation:** During the review of the Company's aggregate reserve for accident and health contracts by the TDCI's contracted actuarial specialists, Lewis & Ellis, Inc., one issue was noted. Lewis & Ellis, Inc. agreed with the Company's reporting of its amount for aggregate reserve for accident and health contracts as shown by the Company in its 2005 Annual Statement with some limitations. Even though the reserves held appear appropriately calculated based on minimum standards and the assumptions used, the reserves must be tested for reserve adequacy.

Tenn. Comp. R. & Regs., ch. 0780-1-69 Section 2 (c) states that all claim reserves for prior valuation years are to be tested for adequacy and reasonableness along the lines of claim runoff schedules in accordance with the statutory financial statement. Statement of Statutory Accounting Principles (SSAP) # 54 – Individual and Group Accident and Health Contracts Section # 11 states, "The Health Reserves Guidance Manual (HRGM) provides further guidance related to reserving methodologies and assumptions used in determining individual and group accident and health reserves." The HRGM states in Section II.D, "If follow-up studies indicate that historical reserve methods have produced inadequate reserves in an excessive proportion of the instances studied, then the reserving methodologies should be revised appropriately." Based on the review of the Company's Schedule H, it is apparent that the reserves and liabilities established have been inadequate. This implies that the assumptions and methodologies utilized in establishing claim reserves and liabilities have failed to adequately provide for future benefits.

The Company is currently implementing a new company-wide valuation system. In a letter sent to the TDCI dated March 26, 2007, the Company detailed the impact of this implementation. As part of this implementation claim reserves and liabilities for the individual disability business will be increased by approximately five percent (5%). These additional reserves would assist the Company in achieving reserve adequacy if the recent historical results are indicative of future experience.

Based on the adjusted historical reserve adequacy analysis, Lewis & Ellis, Inc. believe the claim reserve reported as of year-end 2005 is inadequate by approximately 3.50% or $113,740,915. As mentioned previously, the Company is strengthening its claim reserves by approximately five percent (5%) in 2007. This reserve strengthening in 2007 would cover the inadequate amount as of year-end 2005. It is recommended that the Company follow through with their plan and strengthen their claim reserves in 2007 by at least $113,740,915.

Total Capital and Surplus: $1,307,921,574

Total capital and surplus as established by this examination is $35,767,689 less than what was reported by the Company in its December 31, 2005, Annual Statement. For this examination, we decreased bonds by $19,045,847, decreased cash and cash equivalents by $14,028,325, decreased contract loans by $984,174, increased aggregate write-ins for liabilities by $1,709,343 and reclassified $8,145,041 from aggregate write-ins for liabilities to aggregate reserve for life contracts. These amounts are outlined in the subsequent schedule which indicates the various items making up the changes. The changes in the various items indicated are discussed in detail under the appropriate captions elsewhere in this report.

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, 2005, for this examination does maintain the required minimum capital and surplus as stated in the Tenn. Code Ann.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT PER EXAMINATION AS THEY AFFECT SURPLUS

Item	Reclassification	Increase	Decrease	Surplus
Total Capital and Surplus per Company				$1,343,689,263
Bonds			$19,045,847	
Cash and Cash Equivalents			14,028,325	
Contract Loans			984,174	
Aggregate Reserve for Life Contracts	$8,145,041			
Aggregate Write-ins for Liabilities	(8,145,041)			
Aggregate Write-ins for Liabilities			1,709,343	
Totals	$0	$0	$35,767,689	
Total Decrease per Examination				(35,767,689)
Total Capital and Surplus per Examination				$1,307,921,574

COMMENTS AND RECOMMENDATIONS

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

Comments:

A. Bonds and Cash Equivalents – Page 31

Bonds and Cash Equivalents have been reduced by $19,045,847 and $14,028,325, respectively, from what was reported by the Company in its 2005 Annual Statement. The Company has statutory deposits held by Canada, where they no longer write any business. Canada has been releasing the Company's bonds from its custody since the sale of its Canadian business in 2004. However, it is a slow process and as of April 30, 2007, Canada still held bonds totaling $31,824,847 and Cash Equivalents totaling $14,028,325. However, as of April 30, 2007, the Company did have liabilities associated with its Canadian business totaling $12,779,000.

Tenn. Code Ann. § 56-1-405 states, "The commissioner shall allow to the credit of an insurance company in the account of its financial condition only such assets as are or can be made available for the payment of losses in Tennessee, but may credit any deposits of funds of the company set apart as security for a particular liability . . . ." Due to the Company not having control of the deposit, the difference between its Canadian deposits and its respective liabilities, will be non-admitted due to Tenn. Code Ann. § 56-1-405.

Canadian Deposit - Bonds	$31,824,847
Canadian Deposit – Cash Equivalents	14,028,325
Subtract: Canadian Liabilities	(12,779,000)
Total Canadian Deposits Non-Admitted	$33,074,172

B. Contract Loans – Page 31

During the review of the policy loan cash values on the Company's Contact Information Access (CIA) system, it was determined that the Company should have non-admitted $984,174 in over loaned policy loans at December 31, 2005. The $984,174 difference will be non-admitted for this examination.

During the course of this examination, the Company improved process guidelines and controls on its CIA system to resolve this issue during the course of this examination.

C. Aggregate Reserve for Life Contracts – Page 32
Aggregate Write-ins for Liabilities – Page 32

The Company in their 2005 Annual Statement had reported a group survivor income benefit reserve totaling $8,145,041 and included it in aggregate write-ins for liabilities. It is Lewis & Ellis, Inc. (TDCI's contracted actuarial specialists) opinion that this liability should be reported in Exhibit 5 of the Annual Statement under supplementary contracts. Therefore, based upon the actuary's recommendation, the $8,145,041 amount has been reclassified from aggregate write-ins for liabilities to aggregate reserve for life contracts.

Furthermore, the aggregate write-ins for liabilities in the Company's 2005 Annual Statement contained a Pensioner Life reserve of $30,115,056. Lewis & Ellis, Inc. during there review of the reported liability amount for the Pensioner Life reserve, noted that some amounts contained in the seriatim detail did not tie back to the amounts reported by the Company. The seriatim detail file showed the Pensioner Life reserve to be understated by $1,709,343 in the 2005 Annual Statement. The $1,709,343 understatement in aggregate write-ins for liabilities will be increased for this examination.

Recommendations:

A. Aggregate Reserve for Accident and Health Contracts – Page 33

During the review of the Company's aggregate reserve for accident and health contracts by the TDCI's contracted actuarial specialists, Lewis & Ellis, Inc., one issue was noted. Lewis & Ellis, Inc. agreed with the Company's reporting of its amount for aggregate reserve for accident and health contracts as shown by the Company in its 2005 Annual Statement with some limitations.

Even though the reserves held appear appropriately calculated based on minimum standards and the assumptions used, the reserves must be tested for reserve adequacy. Based on the review of the Company's Schedule H, it is apparent that the reserves and liabilities established have been inadequate. This implies that the assumptions and methodologies utilized in establishing claim reserves and liabilities have failed to adequately provide for future benefits.

The Company is currently implementing a new company-wide valuation system. In a letter sent to the TDCI dated March 26, 2007, the Company detailed the impact of this implementation. As part of this implementation claim reserves and liabilities for the individual disability business will be increased by approximately five percent (5%). These additional reserves would assist the Company in achieving reserve adequacy if the recent historical results are indicative of future experience.

Based on the adjusted historical reserve adequacy analysis, Lewis & Ellis, Inc. believe the claim reserve reported as of year-end 2005 is inadequate by approximately 3.50% or $113,740,915. As mentioned previously, the Company is strengthening its claim reserves by approximately five percent (5%) in 2007. This reserve strengthening in 2007 would cover the inadequate amount as of year-end 2005. It is recommended that the Company follow through with their plan and strengthen their claim reserves in 2007 by at least $113,740,915.

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 & Accident Insurance Company located in Chattanooga, Tennessee.

In such manner, it was found that as of December 31, 2005, the Company had admitted assets of $7,918,563,488 and liabilities, exclusive of surplus, of $6,610,641,914. Thus, there existed for the additional protection of the policyholders, the amount of $1,307,921,574 in the form of common capital stock, aggregate write-ins for other than special surplus funds, surplus notes, gross paid in and contributed surplus 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, Michael A. Mayberry, FSA, MAAA, and David M. Dillon, FSA, MAAA, of the contracting actuarial firm, Lewis & Ellis, Inc., Richardson, Texas, and Norman Chandler, CPA, CPCU, ARe, AIAF, ARC, ACP, of the contracting reinsurance specialist firm, TaylorChandler, LLC, Montgomery, Alabama, participated in the work of this examination.

Respectfully submitted,

Jay Usel

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

Rebecca E. Walker

Rebecca E. Walker
Insurance Examiner, III
State of Tennessee
Southeastern Zone, NAIC

Greg Taylor

Greg Taylor
Insurance Examiner, CFE
State of Delaware
Northeastern Zone, NAIC

Vince Dyal

Vince Dyal
Insurance Examiner, CFE
State of Delaware
Northeastern Zone, NAIC

EXAMINATION AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Provident Life & Accident Insurance Company located in Chattanooga, Tennessee dated June 8, 2007, and made as of December 31, 2005, 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.

Jay Uselton

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

County Davidson

State Tennessee

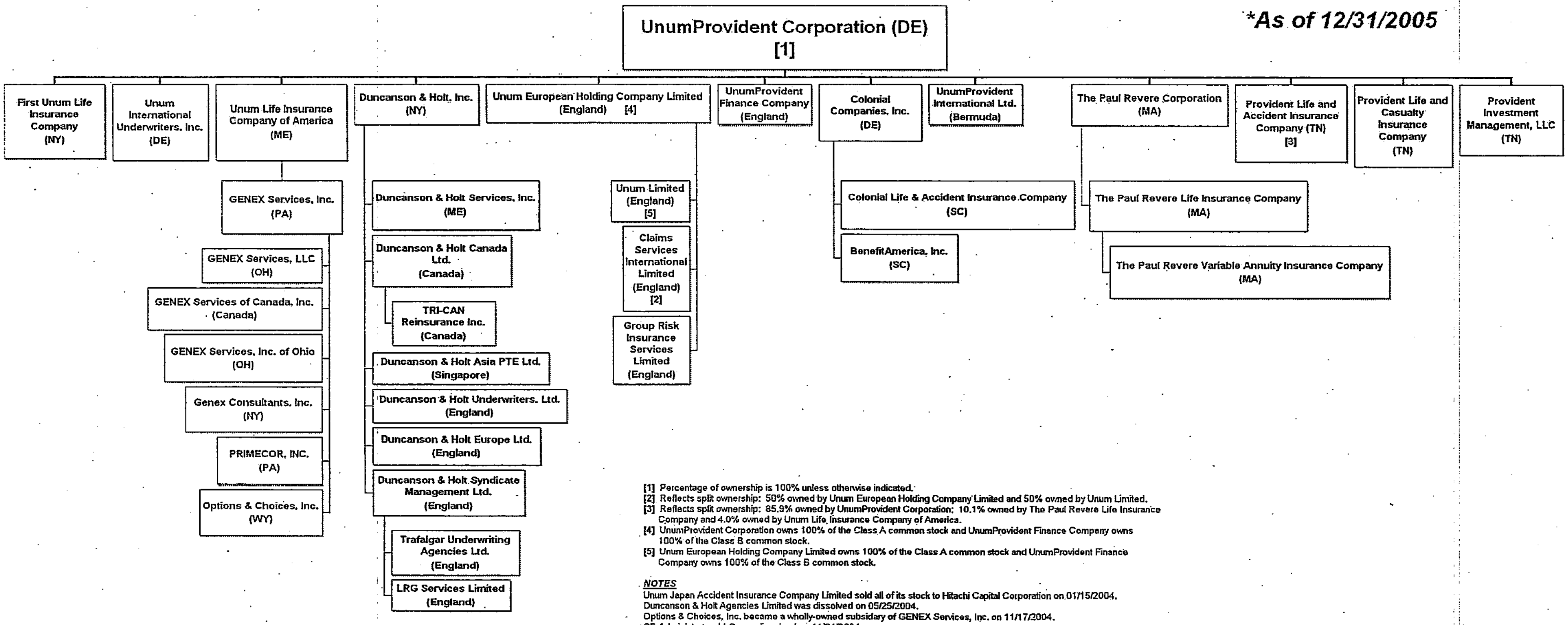
Subscribed and sworn to before me this 8th day of June, 2007

Helen W. Dorsey
(NOTARY)

HELEN W. DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.
My Commission Expires MAY 22, 2010

My Commission Expires
05/22/2010

*As of 12/31/2005



[1] Percentage of ownership is 100% unless otherwise indicated.
[2] Reflects split ownership: 50% owned by Unum European Holding Company Limited and 50% owned by Unum Limited.
[3] Reflects split ownership: 85.9% owned by UnumProvident Corporation; 10.1% owned by The Paul Revere Life Insurance Company and 4.0% owned by Unum Life Insurance Company of America.
[4] UnumProvident Corporation owns 100% of the Class A common stock and UnumProvident Finance Company owns 100% of the Class B common stock.
[5] Unum European Holding Company Limited owns 100% of the Class A common stock and UnumProvident Finance Company owns 100% of the Class B common stock.

NOTES

Unum Japan Accident Insurance Company Limited sold all of its stock to Hitachi Capital Corporation on 01/15/2004.
Duncanson & Holt Agencies Limited was dissolved on 05/25/2004.
Options & Choices, Inc. became a wholly-owned subsidiary of GENEX Services, Inc. on 11/17/2004.
SP Administrator, LLC was dissolved on 11/24/2004.
Claims Service International, Inc. was dissolved on 11/24/2004.
Unum Development Corporation was dissolved on 12/01/2004.
Provident Insurance Agency, LLC was dissolved on 12/02/2004.
Unum Holding Company merged into UnumProvident Corporation on 12/22/2004.
UnumProvident Corporation now owns 40% of Unum Latin American Holdings, Inc. (ULAH) as of 12/31/2004. ULAH is an affiliate of UnumProvident Corporation and not a subsidiary and has been removed.

unum[sm]

RECEIVED
STATE OF TENNESSEE
JUN 20 2007
Dept. of Commerce & Insurance
Assistant Commissioner
Insurance Division

June 20, 2007

Larry C. Knight, Jr., Assistant Commissioner
State of Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-0565

Re: Financial Condition Examination of Provident Life and Accident Insurance Company

Dear Mr. Knight:

We respectfully submit this written rebuttal to the Report on Examination of Provident Life and Accident Insurance Company (the Company) as of December 31, 2005. In particular, we wish to offer a formal response and further clarification to the comments noted on pages 33 and 38 pertaining to the Company's aggregate reserve for accident and health contracts.

The Company tests for reserve adequacy at the level of aggregate reserves, including both active life and claim reserves. We rely upon this test for overall reserve adequacy in compliance with Tenn. Comp. R. & Regs. 0780-1-69-.01(1)(c) which states, "With respect to any block of contracts, or with respect to an insurer's health business as a whole, a prospective gross premium valuation is the ultimate test of reserve adequacy as of a given valuation date. Such a gross premium valuation will take into account, for contracts in force, in a claims status, or in a continuation of benefits status on the valuation date, the present value as of the valuation date of: all expected benefits unpaid, all expected expenses unpaid, and all unearned or expected premiums, adjusted for future premium increases reasonably expected to be put into effect." Since reserves, in the aggregate, exceed minimums and are adequate, it is appropriate for the Company to conclude that reserves are appropriate and adequate. Further analysis below the level of aggregate testing is only indicative of margin positions within components of the reserves and does not result in conclusions of reserve adequacy or inadequacy.

The Company has demonstrated reserve adequacy as of December 31, 2005 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, we believe the Company has appropriately concluded that its reserves meet Tennessee reserve requirements.

A Schedule H runoff test may indicate that there is a short-term runoff loss in the claim reserves, but this does not indicate a reserve deficiency. Applying the guidance from the Health Reserve Guidance Manual does not result in a conclusion that reserves are inadequate. The guidance states that if Schedule H runoff tests produce inadequacies, then reserve methodologies should be revised appropriately. As long as reserves exceed minimum levels and are adequate in the aggregate, then this guidance does not preclude reassignment of active life and claim reserves as an appropriate adjustment to methodologies. Using this logic, we conclude that a Schedule H runoff loss is indicative only of an imbalance of margin positions between active lives and claims and not conclusive as to reserve adequacy.

EXHIBIT
tabbies
B

We are taking actions related to restructuring the reserves in 2007 which will increase claim reserves, with a partial offset to this increase with reductions to active life reserves. The overall margin position in the reserves will be enhanced, and the additional claim reserves will assist the Company in eliminating Schedule H runoff losses.

Sincerely,

Robert C. Greving
Executive Vice President, Chief Financial Officer and Chief Actuary
Unum Group

cc: Louise Booth, Financial Affairs Director
Philip Blustein, Insurance Examinations Director
A. Jay Uselton, Examiner-in-Charge