NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

FIRST UNUM LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2013

DATE OF REPORT: SEPTEMBER 26, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

FIRST UNUM LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2013

DATE OF REPORT:	SEPTEMBER 26, 2014
EXAMINER:	ELKIN WOODS

TABLE OF CONTENTS

ITEM		PAGE NO.
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Company	5
	A. History	5
	B. Holding company	6
	C. Organizational chart	6
	D. Service agreements	7
	E. Management	7
4.	Territory and plan of operations	10
	A. Statutory and special deposits	10
	B. Direct operations	10
	C. Reinsurance	10
5.	Significant operating results	12
6.	Financial statements	15
	A. Independent accountants	15
	B. Net admitted assets	16
	C. Liabilities, capital and surplus	17
	D. Condensed summary of operations	18
	E. Capital and surplus account	19
7.	Market conduct activities	20
	A. Advertising and sales activities	20
	B. Underwriting and policy forms	25
	C. Treatment of policyholders	26
8.	Prior report summary and conclusions	27
9.	Summary and conclusions	28

Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

February 27, 2019

The Honorable Linda A. Lacewell
Superintendent of Financial Services
New York, NY 10004

Madam:

In accordance with instructions contained in Appointment No. 31100, dated February 6, 2014, and annexed hereto, an examination has been made into the condition and affairs of First Unum Life Insurance Company, hereinafter referred to as “the Company”, at its home office located at 666 Third Avenue, Suite 301, New York, NY 10017.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material comment and violations contained in this report are summarized below.

- The Department notes that the Company received $250 million in capital contributions from its parent, Unum Group, for offsetting increases in its long-term care reserves. (See item 3A of this report.)
- The Company violated multiple sections of 11 NYCRR 53 (Insurance Regulation 74) in its sale of individual life insurance policies. (See item 7A of this report.)
- The Company violated multiple subsections of Section 3230 of the New York Insurance Law when processing an application to accelerate death benefits, and ultimately paying said benefits. (See item 7C of this report.)
- The Company violated Section 51.6(a)(2) of 11 NYCRR 51 (Insurance Regulation 60) by failing to include the Definition of Replacement in the individual life underwriting files. (See item 7B of this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a comprehensive examination as defined in the National Association of Insurance Commissioners' *Financial Condition Examiners Handbook, 2014 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2009, to December 31, 2013. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2013, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed. The last examination of the Company covered the period of January 1, 2006, through December 31, 2008.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 7 of this report.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational

- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2009 through 2013, by the accounting firm of Ernst & Young, LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company is a wholly-owned subsidiary of and controlled by Unum Group ("Unum"). Unum has an internal audit department, and a separate internal control department, which was given the task of assessing the internal control structure and compliance with the NAIC's Model Audit Rule ("MAR") on behalf of the Company. Where applicable, MAR workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violation, recommendation and comment contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of the State of New York on October 16, 1959, under the name Hamilton Life Insurance Company of New York ("Hamilton Life"). The Company was licensed and commenced business on January 22, 1960. Initial resources of $400,000, of common capital stock, were provided through the sale of 4,000 shares of common stock with a par value of $100 each.

In March 1968, due to surplus problems, the New York State Supreme Court gave the Department permission to take over Hamilton Life and attempt to rehabilitate it. This action was taken because of a special report by the Department that indicated that Hamilton Life was insolvent.

In May 1970, an agreement was executed for the recapitalization of Hamilton Life among the Superintendent of Insurance, as court appointed rehabilitator of Hamilton Life; Union Mutual Life Insurance Company, Portland, Maine; Unionmutual Corporation, a Delaware corporation; and the Life Insurance Guaranty Corporation. The agreement called for Union Mutual Life Insurance Company, the parent company of Unionmutual Corporation, to contribute $1,000,000 in cash and $575,000 in securities to Hamilton Life's capital and surplus. One million dollars was allocated to the capital account, consisting of 1,000,000 shares of common stock (with a par value of $1), and $578,519 was contributed to surplus. This transaction was completed on September 30, 1970, and the Company's name was changed to Unionmutual Stock Life Insurance Company of New York.

In November of 1986, Union Mutual Life Insurance Company demutualized and changed its name to Unum Life Insurance Company ("Unum Life"). In addition, the Unionmutual Corporation changed its name to Unum Holding Company and Unionmutual Stock Life Insurance Company of New York changed its name to First Unum Life Insurance Company. At the same time, a new corporation, Unum Corporation, was formed which owned 100% of Unum Life.

On July 25, 1990, the Department approved the acquisition of First Commercial Life Insurance Company by the Unum Corporation from the Continental Corporation. On July 31, 1990, First Commercial Life Insurance Company was merged into the Company.

On December 31, 1991, Unum Life merged into Unum Life Insurance Company of America, leaving Unum Holding Company wholly owned by Unum Corporation. On June 30, 1999, Unum Corporation merged with and into Provident Companies, Inc. under the name UnumProvident Corporation. On December 22, 2004, Unum Holding Company was merged into UnumProvident Corporation and the Company was 100% owned by UnumProvident Corporation. In 2007, UnumProvident Corporation changed its name to Unum.

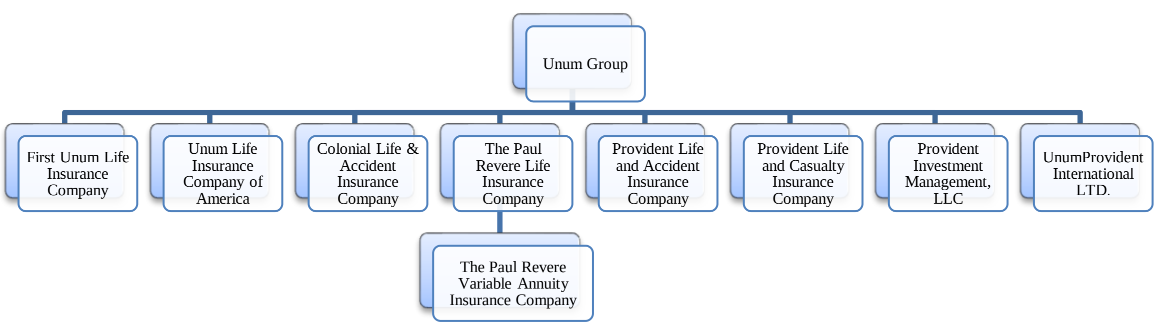
Unum made capital contributions totaling $250 million to the Company from 2011 to 2013. As of December 31, 2013, the Company had $2,000,000 of common capital stock consisting of 2,000,000 shares with a par value of $1 each and gross paid in and contributed surplus of $443,435,244.

B. Holding Company

The Company is a wholly owned subsidiary of Unum, a Delaware general business corporation that acts as a holding company for many insurance and non-insurance subsidiaries. Unum is a leading provider of disability insurance in the world, provided through its family of licensed insuring subsidiaries.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2013, follows:



D. Service Agreements

The Company had two service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient of Services	Specific Services Covered	Expense* For Each Year of the Examination
General Services File No. 235777	01/01/2001 Amended 01/01/2004	UnumProvident Corporation	The Company	Personnel resources, Accounting, Legal, Sales management, Claims, Tax accounting, and Banking,	2009 $(54,109,630) 2010 $(54,258,006) 2011 $(50,654,812) 2012 $(49,157,441) 2013 $(50,349,018)
Investment Management Agreement File No. 323646	06/30/1999 Amended 03/23/2005	Provident Investment Management, LLC	The Company	Management of designated assets	2009 $(2,829,390) 2010 $(3,299,253) 2011 $(3,561,267) 2012 $(4,152,244) 2013 $(3,261,515)

*Amount of Expense Incurred by the Company

The Company is also party to a tax allocation agreement, effective January 1, 2007, with its parent and affiliates.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 13 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2013, the board of directors consisted of nine members. Meetings of the board are held quarterly.

The nine board members and their principal business affiliation, as of December 31, 2013, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Elmer L. Bishop III Lookout Mountain, TN	Executive Vice President and General Counsel First Unum Life Insurance Company	2008
Regina M. Del Campo Hastings-On-Hudson, NY	Director, Service & Administration Unum Group	2008
Robert E. Derrah* Jackson, NH	Former Senior Vice President UNUM Corporation	2002
Christopher J. Jerome Falmouth, ME	Executive Vice President, Global Services Unum Group	2012
Barry E. Lundquist* Falmouth, ME	President Council for Disability Awareness	2013
Richard P. McKenney Chattanooga, TN	Executive Vice President and Chief Financial Officer Unum Group	2009
Kevin P. O'Connell* Falmouth, ME	Former Executive Vice President and Chief Marketing Officer UNUM Corporation	2012
Michael Q. Simonds Falmouth, ME	President and Chief Executive Officer First Unum Life Insurance Company	2013
Thomas R. Watjen Lookout Mountain, TN	President and Chief Executive Officer and Chairman Unum Group	1999

*Not affiliated with the Company or any other company in the holding company system

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended most meetings.

Mr. Bishop and Mr. Watjen left the Company's board of directors in March 2015; Mr. McKenney left in September 2017; Mr. Jerome left in March 2018; Mr. Derrah, Mr. Lundquist, and Mr. O'Connell left in July 2018. They were replaced by Ms. Lisa G. Iglesias and Mr. John F.

McGarry in April 2015, Mr. Stephen J. Mitchell in October 2017, Mr. Puneet Bhasin in March 2018, and Ms. Cherie A. Pashley in June 2018.

The following is a listing of the principal officers of the Company as of December 31, 2013:

Name	Title
Michael Q. Simonds	President and Chief Executive Officer
Kevin P. McCarthy	Executive Vice President
Elmer L. Bishop III	Executive Vice President and General Counsel
Richard P. McKenney	Executive Vice President, Finance
Christopher J. Jerome	Executive Vice President, Global Services
Kevin A. McMahon	Senior Vice President and Treasurer
Roger L. Martin	Senior Vice President and Chief Financial Officer
Vicki W. Corbett	Senior Vice President and Controller
Joseph R. Foley	Senior Vice President and Chief Marketing Officer
Albert A. Riggieri	Senior Vice President, Chief Actuary and Appointed Actuary
Susan N. Roth	Vice President, Transactions, SEC and Corporate Secretary

The designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64) is Deborah J. Jewett, Manager of Customer Relations Department.

Besides resigning from the Company's board of directors in March 2018, Mr. Jerome also resigned from his executive position; beside being elected to the board of directors respectively in February 2017 and March 2018, Ms. Cherie A. Pashley became Senior Vice President, Tax and Treasury, and Mr. Puneet Bhasin also became Executive Vice President, Chief information and Digital Officer. Additionally, in June 2015, Mr. J. Paul Jullienne became Vice President, Managing Counsel and Corporate Secretary; and in February 2017, Mr. Daniel J. Waxenberg became Senior Vice President, Chief Accounting Officer.

Ms. Roth, Ms. Corbett, and Mr. Foley respectively left the Company in June 2015, March 2017, and July 2018. In April 2015, Ms. Lisa G. Iglesias and Mr. John F. McGarry respectively replaced Mr. Bishop and Mr. McKenney who left the Company in March 2015; in December 2016, Ms. Marylou R. Murphy replaced Mr. Riggieri who left the Company in December 2016; in October 2017, Mr. Stephen J. Mitchell replaced Mr. Martin who left the Company in July 2015; in April 2016, Mr. Tyler W. Siira replaced Mr. McMahon who left the Company in April 2016, and in December 2018, Mr. Benjamin S. Katz replaced Mr. Tyler W. Siira who left the Company in January 2019.

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities, and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business only in New York. In 2013, 98.5% of life premiums, 94.2% of accident and health premiums, 100% of annuity considerations, and 100% of deposit type funds were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2013, the Company had $1,800,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. As per confirmations received from the following states which were reported in Schedule E of the 2013 filed annual statement an additional, $538,453 was being held by the states of Georgia and North Carolina.

B. Direct Operations

The Company principally markets group and individual disability income insurance, group life, accidental death and dismemberment insurance and voluntary benefits products. The Company markets its disability products to executive, administrative and management personnel, as well as other professionals such as educators, consultants, health care providers, accountants and engineers.

The Company markets its group and individual disability income insurance, group life, accidental death and dismemberment insurance products through sales personnel and brokers. The Company markets its voluntary benefits products, including individual universal life and interest sensitive life, individual disability and individual critical illness, through payroll deduction at the workplace.

C. Reinsurance

As of December 31, 2013, the Company had reinsurance treaties in effect with 33 companies, of which 28 were authorized or accredited. The Company's life, accident and health business is reinsured on a coinsurance and yearly renewable term basis.

The maximum retention limit for individual life contracts is $750.000. The total face amount of life insurance ceded as of December 31, 2013, was $18,365,906,583, which represents 49.9% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $24,322,356, was supported by letters of credit and trust agreements.

The total face amount of life insurance assumed as of December 31, 2013, was $170,558,850.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, 2008	December 31, 2013	Increase (Decrease)
Admitted assets	$1,933,234,243	$2,704,117,383	$ 770,883,140
Liabilities	$1,739,440,994	$2,437,792,858	$ 698,351,864
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Deferred gain on reinsurance transactions	1,132,873	265,063	(867,810)
Gross paid in and contributed surplus	193,435,244	443,435,244	250,000,000
Unassigned funds (surplus)	(2,774,868)	(179,375,781)	(176,600,913)
Total capital and surplus	$ 193,793,249	$ 266,324,526	$ 72,531,277
Total liabilities, capital and surplus	$1,933,234,243	$2,704,117,383	$ 770,883,140

The Company's invested assets as of December 31, 2013, were mainly comprised of bonds (91.3%), mortgage loans (5.7%), and cash and short-term investments (1.6%).

The majority (90.6%) of the Company's bond portfolio, as of December 31, 2013, was comprised of investment grade obligations.

The increase in gross paid in and contributed surplus during the examination period was due to contributions from the Company's parent to offset increases in reserves in 2011, 2012, and 2013.

The decrease in unassigned funds (surplus) during the examination period was primarily due to Exhibit 5A changes in basis of valuation in years 2011, 2012, and 2013. The Company implemented a new reserve valuation basis for its long-term care business that caused Exhibit 6 active life reserves to increase by $277 million during the years 2011, 2012, and 2013.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2009	2010	2011	2012	2013
Ordinary:					
Life insurance	$ 1,160,631	$ 617,723	$ 204,806	$ 1,446,678	$ 1,784,287
Supplementary contracts	1,269,730	1,456,258	1,559,731	1,591,188	1,351,072
Total ordinary	$ 2,430,361	$ 2,073,981	$ 1,764,537	$ 3,037,866	$ 3,135,359
Group:					
Life	$ 6,300,733	$ 5,279,595	$ 5,837,192	$ 11,897,015	$ 8,361,319
Annuities	10,005	10,071	10,886	10,226	8,889
Total group	$ 6,310,738	$ 5,289,666	$ 5,848,078	$ 11,907,241	$ 8,370,208
Accident and health:					
Group	$ 31,129,652	$ 32,563,410	$ 38,966,849	$ 19,907,664	$ 30,260,980
Other	(13,831,393)	(14,346,176)	(16,921,790)	(22,919,266)	(20,683,161)
Total accident and health	$ 17,298,259	$ 18,217,234	$ 22,045,059	$ (3,011,602)	$ 9,577,819
Total	$ 26,039,358	$ 25,580,881	$ 29,657,674	$ 11,933,505	$ 21,083,385

The decrease in ordinary life in 2010 was due primarily to increased acquisition costs associated with a large increase in new voluntary life sales. The further decrease in ordinary life in 2011 was due to a higher benefit ratio resulting from higher paid claims resulting from the cross-check of the life insurance policies against the Social Security Death Master File ("SSDMF"). The impact of the cross-check of life insurance policies against the SSDMF was alleviated in 2012 and therefore had no impact on the 2012 ordinary life operations.

The increase in group life in 2012 was due primarily to a lower reserve increase in 2012 as compared to 2011. In 2011, a reserve for unclaimed death benefits was established which reduced income by $7 million during the year. In 2012, the impact of the reserve for unclaimed benefits was alleviated and there was no reduction in income. In 2013, the Company conducted a search for potential claims from previous years and established additional reserves for payment of benefits revealed by the search.

The decrease in group accident and health in 2012 is primarily attributed to the group long-term disability product line and the results from a combination of lower net investment income and higher benefit costs on new claim submissions.

The higher net losses from operations before realized capital gains/losses for other accident and health in 2012 and 2013 are primarily due to higher benefits paid and higher reserve increases in the individual long-term care product line for 2012 and 2013 year ends when compared with 2009, 2010, and 2011 year ends.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	2009	2010	2011	2012	2013
Premiums earned	100.0%	100.0%	100.0%	100.0%	100.0%
Incurred losses	102.1%	104.6%	105.3%	121.6%	116.9%
Commissions	7.4%	7.6%	7.7%	7.4%	7.6%
Expenses	15.9%	15.4%	15.0%	14.6%	16.5%
	125.4%	127.6%	128.0%	143.6%	141.0%
Underwriting results	(25.4)%	(27.6)%	(28.0)%	(43.6)%	(40.1)%

The negative increase in underwriting results for 2012 was primarily due to relatively large incurred losses as a percentage of premiums earned that were primarily driven by increases in incurred losses and benefit payments for the individual long-term care and group long-term disability lines of business. The incident rates for unfavorably submitted and paid claims were the primary drivers for the increases in individual long-term care benefits paid, individual long-term care reserves, and long-term disability benefits paid.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and capital and surplus as of December 31, 2013, as contained in the Company's 2013 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2013 filed annual statement.

A. Independent Accountants

The firm of Ernst & Young, LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position as of December 31 of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

Ernst & Young, LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$2,397,801,165
Mortgage loans on real estate:	
First liens	150,773,036
Cash, cash equivalents and short-term investments	42,864,802
Contract loans	5,005,914
Other invested assets	14,960,940
Securities lending reinvested collateral assets	14,942,388
Investment income due and accrued	31,839,831
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	18,126,317
Deferred premiums, agents' balances and installments booked but deferred and not yet due	22,784
Reinsurance:	
Amounts recoverable from reinsurers	449,229
Other amounts receivable under reinsurance contracts	908,280
Amounts receivable relating to uninsured plans	3,758
Current federal and foreign income tax recoverable and interest thereon	1,632,561
Net deferred tax asset	19,156,790
Guaranty funds receivable or on deposit	1,319,608
Receivables from parent, subsidiaries and affiliates	3,232,024
Receivable for investment income	9,386
From separate accounts, segregated accounts and protected cell accounts	1,068,570
Total admitted assets	$2,704,117,383

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 79,907,756
Aggregate reserve for accident and health contracts	2,146,467,733
Liability for deposit-type contracts	36,519,465
Contract claims:	
Life	14,480,675
Accident and health	102,897,213
Premiums and annuity considerations for life and accident and health contracts received in advance	3,281,617
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	140,953
Other amounts payable on reinsurance	899,835
Interest maintenance reserve	5,206,904
Commissions to agents due or accrued	2,725,860
Commissions and expense allowances payable on reinsurance assumed	4,440
General expenses due or accrued	9,116
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,322,355
Unearned investment income	168,176
Amounts withheld or retained by company as agent or trustee	83,860
Remittances and items not allocated	2,288,206
Miscellaneous liabilities:	
Asset valuation reserve	21,298,888
Reinsurance in unauthorized companies	695,791
Liability for unclaimed property	1,912,170
Amounts payable for third administrators	131,595
Other miscellaneous liabilities	339,296
From Separate Accounts statement	1,068,570
Total liabilities	$2,437,792,858
Common capital stock	$ 2,000,000
Deferred gain on reinsurance transactions	265,063
Gross paid in and contributed surplus	443,435,244
Unassigned funds (surplus)	(179,375,781)
Surplus	$ 264,324,526
Total capital and surplus	$ 266,324,526
Total liabilities, capital and surplus	$2,704,117,383

D. Condensed Summary of Operations

	2009	2010	2011	2012	2013
Premiums and considerations	$401,722,264	$392,785,765	$381,064,344	$360,231,291	$348,749,638
Investment income	120,039,601	126,082,504	132,363,403	138,692,357	146,914,373
Commissions and reserve adjustments on reinsurance ceded	5,176,790	4,594,745	5,017,599	5,885,754	5,592,233
Miscellaneous income	2,500,935	2,622,965	3,571,415	2,846,458	3,075,968
Total income	$529,439,590	$526,085,979	$522,016,761	$507,655,860	$504,332,212
Benefit payments	$291,148,243	$299,440,301	$300,175,657	$286,550,837	$283,919,552
Increase in reserves	92,634,841	83,389,219	71,556,127	103,038,199	83,781,348
Commissions	34,021,145	33,824,450	34,535,336	35,089,247	34,916,423
General expenses and taxes	70,576,801	67,135,016	65,643,237	61,683,520	64,699,576
Increase in loading on deferred and uncollected premiums	(4,796)	296	(230)	35,847	(35,478)
Net transfers to (from) Separate Accounts	(286,023)	(5,620)	(55,696)	(100,508)	(123,482)
Miscellaneous deductions	130,040	698	4,976	498	7
Total deductions	$488,220,251	$483,784,360	$471,859,407	$486,297,640	$467,157,946
Net gain (loss) from operations	$ 41,219,339	$ 42,301,619	$ 50,157,354	$ 21,358,220	$ 37,174,266
Federal and foreign income taxes incurred	15,179,979	16,720,739	20,499,680	9,424,716	16,090,881
Net gain (loss) from operations before net realized capital gains	$ 26,039,360	$ 25,580,880	$ 29,657,674	$ 11,933,504	$ 21,083,385
Net realized capital gains (losses)	(18,500,299)	1,574,784	995,736	(667,123)	(635,587)
Net income	$ 7,539,059	$ 27,155,665	$ 30,653,410	$ 11,266,382	$ 20,447,798

E. Capital and Surplus Account

	2009	2010	2011	2012	2013
Capital and surplus, December 31, prior year	$193,793,249	$218,301,049	$ 239,407,356	$ 269,314,916	$251,803,923
Net income	$ 7,539,059	$ 27,155,665	$ 30,653,410	$ 11,266,382	$ 20,447,798
Change in net unrealized capital gains (losses)	(154,375)	154,375	0	0	0
Change in net deferred income tax	8,962,404	(43,361)	45,326,275	46,449,784	13,153,998
Change in non-admitted assets and related items	(4,209,170)	(3,201,550)	(43,787,406)	(45,040,521)	(11,131,306)
Change in liability for reinsurance in unauthorized companies	(2,852)	2,852	0	(177,601)	(518,190)
Change in reserve valuation basis	(1,138,254)	0	(125,000,000)	(125,945,718)	(27,000,000)
Change in asset valuation reserve	6,523,014	(2,888,729)	(2,249,331)	(4,902,442)	(5,323,220)
Cumulative effect of changes in accounting principles	0	0	0	980,142	0
Surplus adjustments:					
Paid in	0	0	125,000,000	100,000,000	25,000,000
Change in surplus as a result of reinsurance	(238,644)	(206,106)	(173,563)	(141,020)	(108,477)
Change in admitted deferred tax asset–SSAP 10R	7,226,617	133,161	138,176	0	0
Net change in capital and surplus for the year	$ 24,507,800	$ 21,106,307	$ 29,907,560	$ (17,510,993)	$ 14,520,603
Capital and surplus, December 31, current year	$218,301,049	$239,407,356	$ 269,314,916	$ 251,803,923	$266,324,526

7. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

> Section 53-2.1(c) of 11 NYCRR 53 (Insurance Regulation 74) states, in part:
>
> "The preliminary information shall be provided to the prospective purchaser at or prior to the time an application is taken and shall be signed and dated by the agent or broker and the applicant and a copy of the preliminary information shall be attached to the application submitted to the insurer. . . ."
>
> Section 53-3.1 of 11 NYCRR 53 (Insurance Regulation 74) states, in part:
>
> ". . . (b) Each insurer marketing policies to which this Subpart is applicable shall notify the superintendent whether a policy form is to be marketed with or without an illustration. For all policy forms being actively marketed on the effective date of this Subpart, the insurer shall identify in writing those forms and whether or not an illustration will be used with them. For policy forms filed after the effective date of this Subpart, the identification shall be made at the time of filing. Any previous identification may be changed by notice to the superintendent . . .
> (e) Potential enrollees of non-term group life subject to this Subpart shall be furnished a quotation with the enrollment materials. The quotation shall show potential policy values for sample ages and policy years on a guaranteed and non-guaranteed basis appropriate to the group and the coverage. This quotation shall not be considered an illustration for purposes of this Subpart, but all information provided shall be consistent with the illustrated scale. A basic illustration shall be provided at delivery of the certificate to enrollees for non-term group life who enroll for more than the minimum premium necessary to provide pure death benefit protection. In addition, the insurer shall make a basic illustration available to any non-term group life enrollee who requests it."
>
> Section 53-3.5 of 11 NYCRR 53 (Insurance Regulation 74) states, in part:
>
> "(a) If a basic illustration is used by an insurance producer or other authorized representative of the insurer in the sale of a life insurance policy and the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this Subpart, shall be submitted to the insurer at the time of policy application. A copy

> also shall be provided to the applicant. If the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be sent with the policy. The revised illustration shall conform to the requirements of this Subpart, shall be labeled 'Revised Illustration' and shall be signed and dated by the applicant or policyowner and producer or other authorized representative of the insurer no later than the time the policy is delivered. A copy shall be provided to the insurer and the policyowner.
> (b) If no illustration is used by an insurance producer or other authorized representative of the insurer in the sale of a life insurance policy or if the policy is applied for other than as illustrated, the producer or representative shall certify to that effect in writing on a form provided by the insurer. On the same form the applicant shall acknowledge that no illustration conforming to the policy applied for was provided and shall further acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. This form shall be submitted to the insurer at the time of policy application. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed no later than the time the policy is delivered. A copy shall be provided to the insurer and the policyowner. . . .
> (d) Such basic illustration or revised illustration shall satisfy the requirements for preliminary information required under Section 3209(d) of the Insurance Law and Section 53-2.1 of this Part, and the requirements for the policy summary required under Section 3209(e) of the Insurance Law and Section 53-2.2 of this Part if delivered to the applicant or policyowner in conformance with this Subpart. . . ."

During the examination period, the Company sold policy forms FUL-21794 (Scheduled Premium Universal Life Insurance Paid Up at 120) and FUL-21825 (Flexible Premium Universal Life Insurance to Age 100). These were individual policies of insurance issued to members of an employer group ("worksite") and meet the definition of non-term group life as defined under Section 53-1.3 of Insurance Regulation 74.

In addition, the Company designated policy forms FUL-21794 and FUL-21825 as ones that would be marketed with an illustration in its annual certification filing to the Department for each of the years covered by this examination.

The examiner reviewed 35 policies issued using policy forms FUL-21794 or FUL-21825 during the examination period. In all the files reviewed (100%), the Company failed to provide the applicant with an illustration at the point of sale. Further, the Company did not furnish a quotation with the enrollment materials.

The Company violated Section 53-2.1(c) of 11 NYCRR 53 (Insurance Regulation 74) by failing to provide preliminary information to the prospective purchaser at or prior to the time the application was taken.

The Company violated Section 53-3.1(d) of 11 NYCRR 53 (Insurance Regulation 74) by failing to provide a basic illustration prepared and delivered in accordance with this Section for policy forms that it designated as being marketed with an illustration.

The Company violated Section 53-3.5(a) of 11 NYCRR 53 (Insurance Regulation 74) by failing to obtain a compliant illustration signed and dated by the applicant or policyowner and the producer or other authorized representative of the insurer no later than the time of policy delivery.

Section 53-3.2(a)(5) of 11 NYCRR 53 (Insurance Regulation 74) states, in part:

> "An illustration used in the sale of a life insurance policy . . . shall . . . be clearly labeled "life insurance illustration" and contains the following basic information:
> . . .
> (5) Generic name of policy, the company product name, if different, and form number; . . ."

In 12 of the 17 scheduled premium universal life insurance paid up at 120 individual life policy files reviewed (71%), policy illustration form number FUL-21794 was included. The header on illustration form number FUL-21794 reads, "Interest Sensitive Whole Life Insurance Illustration." This illustration was used in the sale of the scheduled premium universal life insurance paid up at 120 individual life policies. The illustration must be labeled with the same name as the one on the policy, and the name cannot be inconsistent.

The Company violated Section 53-3.2(a)(5) of 11 NYCRR 53 (Insurance Regulation 74) by labeling the illustration used in the sale of a scheduled premium universal life insurance paid up at 120 policy with a generic name that was not consistent with the name included on the policy contract form.

Section 53-3.3(d)(1) of 11 NYCRR 53 (Insurance Regulation 74) states:

> "Statements. Statements substantially similar to the following shall be included on the same page as the numeric summary and signed by the applicant, or the policyowner in the case of an illustration provided at time of delivery, as required in this Subpart.
> (1) A statement to be signed and dated by the applicant or policyowner reading as follows: 'I have received a copy of this illustration and understand that any non-guaranteed elements illustrated are subject to change and could be either higher or lower. The agent or broker has told me they are not guaranteed.' . . ."

For the 35 sampled individual life insurance policies reviewed, the examiner noted that the illustrations used in the sale of the life insurance policy were not signed by the applicant, attesting that the applicant has received a copy of the illustration and understand that any illustrated non-guaranteed elements are not guaranteed, are subject to change, and could be either higher or lower than shown.

The Company violated Section 53-3.3(d)(1) of 11 NYCRR 53 (Insurance Regulation 74) by failing to have the policyowner sign the illustration and attest that he or she understands that non-guaranteed elements are not guaranteed, are subject to change, and could be either higher or lower than shown.

The examiner noted that in all 35 policies reviewed, the Company failed to include on page 3 of illustration form numbers FUL-21794 and FUL-21825 that the individual life policies includes an accelerated living benefit with a limit of $150,000.

The examiner recommends that the Company revise its illustration to include the $150,000 accelerated living benefit limit.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Section 51.6(a) of 11 NYCRR 51 (Insurance Regulation 60) states:

> "Each insurer shall: . . .
> (2) require with or as part of each application, a completed 'Definition of Replacement' signed by the applicant and insurance agent or broker; . . ."

The examiner reviewed a sample of individual life underwriting files and noted that in 34 of the 40 files reviewed (85%), the Company failed to include with each application a completed Definition of Replacement.

The Company violated Section 51.6(a)(2) of 11 NYCRR 51 (Insurance Regulation 60) by failing to include the Definition of Replacement in the individual life underwriting files.

Section 2122(a)(2) of the New York Insurance Law states:

> "No insurance producer or other person, shall, by any advertisement or public announcement in this state, call attention to any unauthorized insurer or insurers."

The examiner reviewed a sample of 17 individual juvenile life policies and found that in 12 policies (70.59%), the Company used a 'Facts About Accelerated Benefit Living Benefit Option Rider' form (L21833), which included a reference at the bottom of the form to Provident Life and Accident Insurance Company, an insurer not authorized in New York.

The Company violated Section 2122(a)(2) of the New York Insurance Law by using a 'Facts About Accelerated Benefit Living Benefit Option Rider' form, which included a reference at the bottom of the page to Provident Life and Accident Insurance Company, an insurer not authorized in New York.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Section 3230(b) of the New York Insurance Law states, in part:

> "The application to accelerate benefits shall: . . .
> (2) contain a notice, prominently displayed, to read as follows: '. . . Receipt of accelerated death benefits in periodic payments may be treated differently than receipt in a lump sum. . . .' . . .
> (4) contain a statement by the policy owner that such application is voluntary and without coercion on the part of any third party; . . ."

The examiner reviewed a sample of six accelerated death benefit claims and found that in all six accelerated death benefits claims reviewed (100%), the application did not include the required notice that the receipt of accelerated death benefits in periodic payments may be treated differently than the receipt in a lump sum.

The Company violated Section 3230(b)(2) of the New York Insurance Law by failing to include in the application to accelerate death benefits the required notice that the receipt of accelerated death benefits in periodic payments may be treated differently than the receipt in a lump sum.

In two out of the six sampled accelerated death benefit claims reviewed (33%), the examiner noted that the Company did not include the required statement by the policy owner that such application is voluntary and without coercion on the part of any third party.

The Company violated Section 3230(b)(4) of the New York Insurance Law by failing to include in the application the required statement by the policy owner that such application is voluntary and without coercion on the part of any third party.

Section 3230(c) of the New York Insurance Law states:

> "Insurers are prohibited from paying accelerated death benefits or special surrender values to the policy owner or certificate holder for a period of fourteen days from the date on which the information specified in subdivision (d) of this section is transmitted in writing to the policy owner or certificate holder. The policy owner or certificate holder shall have the right to rescind the request for such payments at any time during the process of application for said benefits."

The examiner’s review of the six accelerated death benefit claims revealed that the Company paid two accelerated death claims (33%) within 14 days of the date the required information is transmitted in writing to the certificate holder.

The Company violated Section 3230(c) of the New York Insurance Law when it failed to wait the required 14 days before paying accelerated benefits to certificate holders.

Section 3230(d) of the New York Insurance Law states:

> “Within five days of receipt of an application to accelerate benefits an insurer must provide the policy owner with the following:
> (1) an illustration demonstrating the effect of the accelerated benefit on the policy's cash value and policy loans;
> (2) a numerical computation of the amount of the death benefit which would be payable upon death;
> (3) a numerical computation of the amount of the death benefit that would be payable upon acceleration; and
> (4) a notice that other means may be available to achieve the intended goal, including a policy loan.”

In three of the six accelerated death benefit claims reviewed (50%), the Company failed to provide the policy owner, within five days of receipt of the application to accelerate benefits, with the following items required by Section 3230(d) of the New York Insurance Law:

- an illustration demonstrating the effect of the accelerated benefit on the policy's cash value and policy loans;
- a numerical computation of the amount of the death benefit which would be payable upon death;
- a numerical computation of the amount of the death benefit that would be payable upon acceleration; and
- a notice that other means may be available to achieve the intended goal, including a policy loan.

The Company took an average of eight days to provide the three certificate holders with the required disclosure information.

The Company violated Section 3230(d) of the New York Insurance Law by failing to provide policy owners with the required disclosure information within five days of receipt of an application to accelerate death benefits.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation, recommendation and comment contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	As of December 31, 2009, all claims under the terms of the Regulatory Settlement Agreements (“RSA”) have been identified and for those that remain in open status, the Company has established an additional reserve of $18.3 million. As of December 31, 2013, the current reserves for the outstanding New York claims under the RSA are $11.9 million.
B	The Company violated Section 4228(h) of the New York Insurance Law by failing to provide signed demonstrations for Forms FUL-21794, FUL 21825, FWL 1.0 and FOT 1.0. The examiner’s review indicated that there were no forms during the examination period for which demonstrations of self-support were not signed.
C	The examiner recommends that the Company monitor the implemented changes to ensure future compliance. The examiner’s review indicated that the Company monitors the implemented changes and ensures compliance with the requirements to maintain signed demonstrations of self-support.

9. SUMMARY AND CONCLUSIONS

Following are the violations and recommendation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 53-2.1(c) of 11 NYCRR 53 (Insurance Regulation 74) by failing to provide preliminary information to the prospective purchaser at or prior to the time the application was taken.	22
B	The Company violated Section 53-3.1(d) of 11 NYCRR 53 (Insurance Regulation 74) by failing to provide a basic illustration prepared and delivered in accordance with this Section for policy forms that it designated as being marketed with an illustration.	22
C	The Company violated Section 53-3.5(a) of 11 NYCRR 53 (Insurance Regulation 74) by failing to obtain a compliant illustration signed and dated by the applicant or policyowner and the producer or other authorized representative of the insurer no later than the time of policy delivery.	22
D	The Company violated Section 53- 3.2(a)(5) of 11 NYCRR 53 (Insurance Regulation 74) by labeling the illustration used in the sale of a scheduled premium universal life insurance paid up at 120 policy with a generic name that was inconsistent with the name included on the policy contract form.	22
E	The Company violated Section 53-3.3(d)(1) of 11 NYCRR 53 (Insurance Regulation 74) by failing to have the policyowner sign the illustration and attest that he or she understands that non-guaranteed elements are not guaranteed, are subject to change, and could be either higher or lower than shown.	23
F	The examiner recommends that the Company revise its illustration to include the $150,000 accelerated living benefit limit.	23
G	The Company violated Section 51.6(a)(2) of 11 NYCRR 51 (Insurance Regulation 60) by failing to include the Definition of Replacement in the individual life underwriting.	24
H	The Company violated Section 2122(a)(2) of the New York Insurance Law by using a 'Facts About Accelerated Benefit Living Benefit Option Rider' form, which included a reference at the bottom of the page to Provident Life and Accident Insurance Company, an insurer not authorized in New York.	24

Item	Description	Page No(s).
I	The Company violated Section 3230(b)(2) of the New York Insurance Law by failing to include in the application to accelerate death benefits the required notice that the receipt of accelerated death benefits in periodic payments may be treated differently than the receipt in a lump sum.	25
J	The Company violated Section 3230(b)(4) of the New York Insurance Law by failing to include in the application the required statement by the policy owner that such application is voluntary and without coercion on the part of any third party.	25
K	The Company violated Section 3230(c) of the New York Insurance Law when it failed to wait the required 14 days before paying accelerated benefits to certificate holders.	26
L	The Company violated Section 3230(d) of the New York Insurance Law by failing to provide policy owners with the required disclosure information within five days of receipt of an application to accelerate benefits.	26

Respectfully submitted,

/s/

Elkin Woods
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Elkin Woods, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/

Elkin Woods

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 31100

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

ELKIN WOODS

as a proper person to examine the affairs of the

FIRST UNUM LIFE INSURANCE COMPANY

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name and affixed the official Seal of the Department at the City of New York

this 6th day of February, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

NEW YORK STATE ★ DEPARTMENT OF FINANCIAL SERVICES ★ EXCELSIOR