NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

FIRST UNUM LIFE INSURANCE COMPANY

CONDITION:	DECEMBER 31, 2018
DATE OF REPORT:	JUNE 17, 2020

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AS OF

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EXAMINER: MARY B. PACKARD, CFE

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Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

August 3, 2020

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

Madam:

In accordance with instructions contained in Appointment No. 31949, dated April 17, 2019, 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 administrative office located at One Fountain Square, Chattanooga, TN 37402. The Company's home office is 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 recommendation and comment contained in this report are summarized below.

- The Department reviewed the Company's reserves as of December 31, 2018. During the review, it was noted that the Company was updating the assumptions for its long-term care business which resulted in the need for additional reserves. The examiner recommends that the Company continue to increase its reserves as agreed upon with the Department. (See item 6F of this report.)
- The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business. The Department, along with all insurance regulators and the NAIC, is closely monitoring the evolving situation and the insurance industry through a coordinated effort to assess the effect of the pandemic on various types of insurance, individual insurers, and the insurance industry as a whole. (See item 7 of this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC's") *Financial Condition Examiners Handbook, 2019 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2014, to December 31, 2018. 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, 2018, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

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.

The coordinated examination was led by the State of Maine, with participation from the states of Massachusetts, New York, and Tennessee. Since the lead and participating states are all accredited by the NAIC, all states deemed it appropriate to rely on each other's work.

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 2014 through 2018, by the accounting firm of Ernest & Young, LLP ("EY"). 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. Unum Group ("Unum"), the parent of the Company, has an internal audit department and a separate internal control department which is given the task of assessing the internal control structure and compliance with the NAIC's Model Audit Rule ("MAR"). Where applicable, MAR workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the prior report on examination which did not contain any financial condition violations, recommendations, or comments.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or matters 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 15, 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, consisting of common capital stock, were provided through the sale of 4,000 shares of common stock (with a par value of $100 each) for $100 per share.

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

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

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

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

On December 31, 1991, Unum Life merged into Unum Life Insurance Company of America, a Maine life insurer and a subsidiary of Unum Holding Company, with Unum Life Insurance Company of America being the surviving company. On June 30, 1999, Unum Corporation merged into Provident Companies, Inc., with Provident Companies, Inc. being the surviving company and thereupon changing its name to UnumProvident Corporation. On December 22, 2004, Unum Holding Company was merged into UnumProvident Corporation, with UnumProvident Corporation being the surviving entity. In February 2007, UnumProvident Corporation changed its name to Unum Group ("Unum").

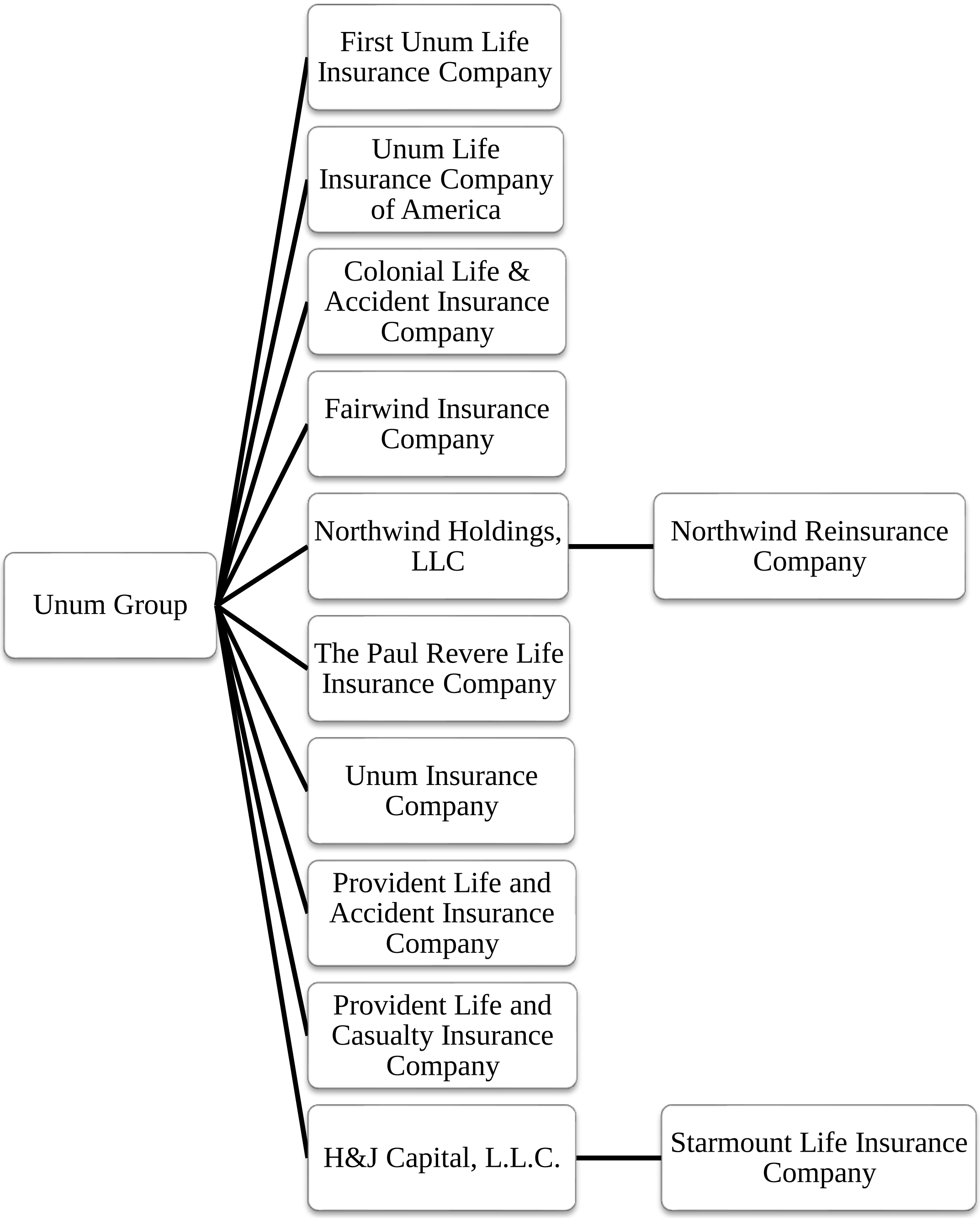
Unum made capital contributions to the Company in 2014 totaling $155,000,000; in 2015 totaling $40,000,000; in 2016 totaling $40,000,000; in 2017 totaling $89,737,521, and in 2018 totaling $125,000,000.

B. Holding Company

The Company is a wholly owned subsidiary of Unum, a Delaware general business corporation that acts as a holding company for a number of insurance and non-insurance subsidiaries. Unum is a leading provider of financial protection benefits in the United States and the United Kingdom.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2018, 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 Service(s) Covered	Expense* For Each Year of the Examination
General Services Agreement File No. 235777	01/01/2004	Unum Group (formerly UnumProvident Corporation)	The Company	Personnel resources, accounting, legal, sales management, claims, tax accounting, and banking	2014 ($52,439,746) 2015 ($55,063,992) 2016 ($52,642,572) 2017 ($58,825,746) 2018 ($70,784,728)
Investment Management Agreement File No. 323646	03/23/2005	Provident Investment Management, LLC	The Company	Investment management services of the Company's assets	2014 ($4,548,045) 2015 ($4,988,563) 2016 ($5,207,711) 2017 ($5,443,111) 2018 ($5,643,604)

*Amount of Expense Incurred by the Company

The Company participates in a federal income tax allocation agreement 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, 2018, the board of directors consisted of seven members. Meetings of the board are held quarterly.

The seven board members and their principal business affiliation as of December 31, 2018, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Puneet Bhasin Chattanooga, Tennessee	Executive Vice President, Chief Information and Digital Officer First Unum Life Insurance Company Unum Group	2018
Regina M. Del Campo Hastings-On-Hudson, New York	Director, Service and Administration Unum Group	2008
Lisa G. Iglesias Signal Mountain, Tennessee	Executive Vice President, General Counsel First Unum Life Insurance Company Unum Group	2015
John F. McGarry Hollis, Maine	Executive Vice President, Finance First Unum Life Insurance Company Executive Vice President, Chief Financial Officer Unum Group	2015
Stephen J. Mitchell Cumberland, Maine	Senior Vice President, Chief Financial Officer, US Finance First Unum Life Insurance Company Unum Group	2017
Cherie A. Pashley Chattanooga, Tennessee	Senior Vice President, Tax and Treasury First Unum Life Insurance Company Unum Group	2018
Michael Q. Simonds Falmouth, Maine	Chairman, President and Chief Executive Officer First Unum Life Insurance Company President and Chief Executive Officer, Unum US Unum Group	2013

Unum Group, the Company's parent, is publicly traded on the New York Stock Exchange. All members of Unum Group's board are independent except for the President and Chief Executive Officer of Unum Group. The Company meets the independence requirement at the ultimate parent company level pursuant to Section 1202(b)(3) of the New York Insurance Law.

On June 17, 2019, John F. McGarry retired from the Company’s board and was replaced by Steven A. Zabel.

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 a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2018:

Name	Title
Michael Q. Simonds	Chairman, President and Chief Executive Officer
Puneet Bhasin	Executive Vice President, Chief Information and Digital Officer
Lisa G. Iglesias	Executive Vice President, General Counsel
John F. McGarry	Executive Vice President, Finance
Stephen J. Mitchell	Senior Vice President, Chief Financial Officer
Marylou R. Murphy	Senior Vice President, Chief Actuary and Appointed Actuary
Cherie A. Pashley	Senior Vice President, Tax and Treasury
Daniel J. Waxenberg	Senior Vice President, Chief Accounting Officer
Jean Paul Julienne	Vice President, Managing Counsel and Corporate Secretary
Benjamin S. Katz	Vice President, Treasurer

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

On July 1, 2019, Steven A. Zabel replaced John F. McGarry as Executive Vice President, Finance; and Scott A. Cater replaced Marylou R. Murphy as Senior Vice President, Chief Actuary and Appointed Actuary.

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 in New York only. In 2018, 77.3% of life premiums, 85.2% of accident and health premiums, and 100% of deposit type funds premiums were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2018, the Company had $1,800,000 (par value) of United States Treasury Stripped Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants, and creditors of the Company. Per confirmations received from the following states, which were reported in Schedule E of the 2018 filed annual statement, an additional $537,879 was being held by the states of Georgia and North Carolina.

B. Direct Operations

The Company primarily writes individual universal life, group term life, and group short-term and long-term disability insurance. The Company also offers accidental death and dismemberment ("AD&D") coverage and voluntary benefits products. Voluntary benefits products are marketed to groups of employees at the workplace through payroll deduction.

The Company also services its closed blocks of business which consist of group and individual long-term care and individual voluntary disability insurance.

The Company's agency operations are conducted on a general agency basis. The Company's products are sold through independent agent and brokers. The Company's group business is also sold through broker general agent distribution channel.

C. Reinsurance

As of December 31, 2018, the Company had reinsurance treaties in effect with 48 companies, of which 41 were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance, yearly renewable term, or non-proportional bases.

The maximum retention limit for individual life contracts is $1,000,000. The total face amount of life insurance ceded, as of December 31, 2018, was $27,944,072,812, which represents 51.4% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies and reinsurance recoverables from unauthorized companies, totaling $215,653,650, was supported by letters of credit, trust agreements, and other miscellaneous balances.

The total face amount of life insurance assumed as of December 31, 2018, was $98,329,399.

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, 2013	December 31, 2018	Increase (Decrease)
Admitted assets	$2,704,117,383	$3,760,811,780	$1,056,694,397
Liabilities	$2,437,792,858	$3,486,379,151	$1,048,586,293
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	443,435,244	893,172,765	449,737,521
Deferred gain on reinsurance transactions	265,063	15,565	(249,498)
Unassigned funds (surplus)	(179,375,781)	(620,755,700)	(441,379,919)
Total capital and surplus	$ 266,324,526	$ 274,432,629	$ 8,108,103
Total liabilities, capital and surplus	$2,704,117,383	$3,760,811,780	$1,056,694,397

The Company's invested assets, as of December 31, 2018, mainly comprised bonds (92.56%), mortgage loans (6.7%), and other invested assets (0.84%).

The majority of the Company's bond portfolio (92.4%), as of December 31, 2018, comprised investment grade obligations.

The increase in gross paid-in and contributed surplus was due to the cumulative capital contribution made by its parent company each year under examination because of the increases in the Company's long-term care reserves resulting from cash flow testing.

The decrease in unassigned funds was primarily due to the cumulative amount of increases in long-term care reserves resulting from cash flow testing.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term		Group Life	
Year	Issued	In Force	Issued	In Force	Issued & Increases	In Force
2014	$141,306	$676,892	$3,063	$13,952	$ 4,643,596	$38,108,534
2015	$109,528	$691,600	$2,051	$14,127	$ 5,869,634	$38,456,465
2016	$137,889	$726,448	$2,822	$14,881	$ 4,745,613	$40,088,226
2017	$113,045	$731,457	$2,532	$15,232	$10,537,381	$47,968,321
2018	$147,455	$777,122	$2,767	$15,884	$ 7,525,517	$53,545,641

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

Ordinary	2014	2015	2016	2017	2018
Outstanding, end of previous year	107,413	103,771	98,024	94,536	91,244
Issued during the year	10,771	7,561	7,891	7,470	7,784
Other net changes during the year	(14,413)	(13,308)	(11,379)	(10,762)	(9,765)
Outstanding, end of current year	103,771	98,024	94,536	91,244	89,263

Group	2014	2015	2016	2017	2018
Outstanding, end of previous year	1,140,616	1,168,322	1,218,248	1,220,140	1,259,518
Issued during the year	112,987	138,971	125,611	205,528	523,893
Other net changes during the year	(85,281)	(89,045)	(123,719)	(166,150)	(76,328)
Outstanding, end of current year	1,168,322	1,218,248	1,220,140	1,259,518	1,707,083

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:

	2014	2015	2016	2017	2018
Ordinary:					
Life insurance	$ 1,483,315	$ 1,989,012	$ 1,710,979	$ 1,890,443	$ 1,176,097
Individual annuities	0	0	0	0	(54,935)
Supplementary contracts	1,105,318	1,061,383	950,003	816,740	997,608
Total ordinary	$ 2,588,633	$ 3,050,395	$ 2,660,982	$ 2,707,183	$ 2,118,770
Group:					
Life	$ 5,889,546	$ 6,944,123	$ 7,239,802	$ 7,866,981	$ 16,942,522
Annuities	8,498	6,113	3,987	4,763	4,849
Total group	$ 5,898,044	$ 6,950,236	$ 7,243,789	$ 7,871,744	$ 16,947,371
Accident and health:					
Group	$ 21,160,149	$ 36,795,182	$45,083,272	$ 29,582,104	$ 10,600,720
Other	(33,828,390)	(20,748,615)	28,339,772	(12,749,299)	(42,364,993)
Total accident and health	$(12,668,241)	$ 16,046,567	$73,423,044	$ 16,832,805	$(31,764,273)
Total	$ (4,181,563)	$ 26,047,197	$83,327,816	$ 27,411,732	$(12,698,132)

The increase in net gains from ordinary life insurance in 2015, compared with 2014, and the subsequent decrease in 2016 were driven by changes in net investment income. The pronounced decrease in 2018 was due to increases in commissions and general insurance expenses.

The increase in net gains from group life in 2015 was driven by favorable benefit experience, and the significant increase in 2018, compared with 2017, was driven by higher claims incidence in the group life product line.

The increase in net gains from the accident and health business line in 2015 was due to lower claim incidence rate in the group disability product line during the year. The significant increase in 2016 was driven by favorable long-term care experience and lower claim incidence rate in the group disability product line during the year. The pronounced decrease in 2017 was due primarily to favorable long-term care reserve releases in 2016 resulting from the impact of policyholder elections that did not recur in 2017. The decrease in 2018 was due to the update of actuarial assumptions during the third quarter of 2018 as a resulted of the Company's annual assumptions review, as well as the higher claims incidence in the group disability product line.

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:

	2014	2015	2016	2017	2018
Premiums earned	100.0%	100.0%	100.0%	100.0%	100.0%
Incurred losses	127.7%	119.5%	95.1%	119.1%	142.0%
Commissions	7.5	7.2	7.3	7.8	7.5
Expenses	15.6%	14.7%	13.6%	15.4%	15.5%
Underwriting results	(50.8)%	(41.4)%	(16.0)%	(42.3)%	(65.0)%

The 2018 negative increase in underwriting results was primarily due to the relatively high incurred losses and benefit payments for the individual long-term care and group long-term disability lines of business. The incidence rate for unfavorable submitted and paid claims was the primary driver 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, capital and surplus, as of December 31, 2018, as contained in the Company's 2018 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, 2018 filed annual statement.

A. Independent Accountants

The firm of Ernest & Young, LLP (E&Y) 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.

E&Y 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	$3,368,293,724
Mortgage loans on real estate:	
First liens	244,078,178
Cash, cash equivalents and short-term investments	(8,207,893)
Contract loans	3,587,815
Other invested assets	30,742,310
Investment income due and accrued	40,079,005
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	31,648,770
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,011,054
Reinsurance:	
Amounts recoverable from reinsurers	881,408
Other amounts receivable under reinsurance contracts	1,598,766
Amounts receivable relating to uninsured plans	499,769
Current federal and foreign income tax recoverable and interest thereon	28,901,415
Net deferred tax asset	9,658,249
Guaranty funds receivable or on deposit	363,661
Receivables from parent, subsidiaries and affiliates	6,964,434
Receivable for investment income	4,880
From separate accounts, segregated accounts and protected cell accounts	$ 706,235
Total admitted assets	$3,760,811,780

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 86,526,065
Aggregate reserve for accident and health contracts	3,196,776,811
Liability for deposit-type contracts	24,428,255
Contract claims:	
Life	19,234,394
Accident and health	98,778,896
Premiums and annuity considerations for life and accident and health contracts received in advance	4,347,493
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	438,005
Other amounts payable on reinsurance	595,113
Interest maintenance reserve	721,031
Commissions to agents due or accrued	4,849,893
Commissions and expense allowances payable on reinsurance assumed	5,514
General expenses due or accrued	17,850
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,623,463
Unearned investment income	93,050
Amounts withheld or retained by company as agent or trustee	307,629
Remittances and items not allocated	8,394,917
Miscellaneous liabilities:	
Asset valuation reserve	35,441,519
Reinsurance in unauthorized companies	100,187
Liability for unclaimed property	2,940,763
Other miscellaneous liabilities	52,068
From Separate Accounts statement	706,235
Total liabilities	$3,486,379,151
Common capital stock	2,000,000
Aggregate write-ins for other than special surplus funds	15,565
Gross paid in and contributed surplus	893,172,765
Unassigned funds (surplus)	(620,755,700)
Surplus	$ 272,432,629
Total capital and surplus	$ 274,432,629
Total liabilities, capital and surplus	$3,760,811,780

D. Condensed Summary of Operations

	2014	2015	2016	2017	2018
Premiums and considerations	$359,976,434	$363,166,779	$375,663,301	$392,696,569	$453,935,400
Investment income	148,422,957	161,865,741	167,950,361	166,898,558	176,511,403
Commissions and reserve adjustments on reinsurance ceded	4,874,814	5,416,432	5,289,641	3,958,255	3,610,287
Miscellaneous income	2,942,935	3,765,491	3,515,321	4,381,043	5,263,127
Total income	$516,217,140	$534,214,443	$552,418,624	$567,934,425	$639,320,217
Benefit payments	$290,788,925	$296,942,131	$311,279,733	$314,212,782	$368,090,316
Increase in reserves	125,629,323	96,308,921	17,583,769	101,436,308	184,369,068
Commissions	35,159,874	35,261,911	36,592,777	38,889,843	41,422,083
General expenses and taxes	65,971,709	65,255,752	61,854,987	73,460,950	81,726,279
Increase in loading on deferred and uncollected premiums	730,648	(45,748)	49,205	735,643	618,997
Net transfers to (from) Separate Accounts	(58,768)	(378,465)	(28,341)	(20,839)	(148,651)
Miscellaneous deductions	97	0	38	800	983,942
Total deductions	$518,221,808	$493,344,502	$427,332,168	$528,715,487	$677,062,034
Net gain (loss)	$ (2,004,668)	$ 40,869,941	$125,086,456	$ 39,218,938	$ (37,741,817)
Federal and foreign income taxes incurred	2,176,895	14,822,744	41,758,640	11,807,204	(25,043,684)
Net gain (loss) from operations before net realized capital gains	$ (4,181,563)	$ 26,047,197	$ 83,327,816	$ 27,411,734	$ (12,698,133)
Net realized capital gains (losses)	(1,230,721)	449,424	(915,640)	(59,069)	(926,886)
Net income	$ (5,412,284)	$ 26,496,621	$ 82,412,176	$ 27,352,663	$ (13,625,018)

The increase in premiums and annuity considerations in 2018, compared with 2017, was due to the growth in the group life and group disability product lines.

The increase in benefit payments in 2018 was due to the long-term care reserve increase that resulted from the update to the actuarial assumptions during the third quarter of 2018, as well as the higher claims incidence in the group disability and group life product lines.

The decrease in reserves in 2015 was due to the update made to the long-term care actuarial assumptions in 2014, causing a larger increase in 2014 reserves relative to the 2015 reserves. There was also a higher volume of new long-term disability claims in 2014 than in 2015. The decrease in 2016 was due to significant plan changes from the long-term care landing spot elections (an option that allows enrollees to avoid a premium increase by choosing the reduced inflation percentage) in New York in 2016, which led to a reduction in reserves. The option was offered on policy anniversaries from February 17, 2016, to February 16, 2017; and the prospective reduced inflation percentage was 3.9% to offset the full rate increase approval, and 4.5% to offset half of the rate increase. The increase in 2017 was due to a high volume of new long-term disability claims during the year, as well as the 2016 landing spot elections which caused a low increase in 2016 relative to 2017. The increase in 2018 was due to the updates to disability and life reserve assumptions and incurred but not reported claims reserves methodology in 2018 resulting in an increase in New York statutory reserves. There was also a high volume of new long-term disability claims in 2018, as well as increased premiums due to higher new claims exposure.

The increase in general expenses and taxes in 2017 and 2018 was related to the New York State’s Paid Family Leave Act insurance policies which was signed into law in 2016 and became effective starting January 1, 2018. The increase also resulted from the growth in the Company’s group disability and group life product lines.

The increases in the federal and foreign income taxes incurred in 2015 and 2016 were due to the increases in the net income in 2015 and in 2016 and because of the effective tax rate falling just above the statutory tax rate of 35% for both years. The decrease in 2017 was due to the decrease in net income in 2017 and because of the effective tax rate falling just below the 35% statutory tax rate. The decrease in 2018 was due to the decrease in net income in 2018 because of the favorable outcome from the 2017 federal income tax return as a result of the reduction in the statutory rate from 35% to 21% percent that became effective January 1, 2018.

E. Capital and Surplus Account

	2014	2015	2016	2017	2018
Capital and surplus, December 31, prior year	$ 266,324,526	$272,116,021	$ 263,475,337	$ 282,369,677	$ 299,126,214
Net income	$ (5,412,284)	$ 26,496,621	$ 82,412,176	$ 27,352,663	$ (13,625,018)
Change in net unrealized capital gains (losses)	0	0	0	(2,275,200)	2,275,200
Change in net deferred income tax	55,627,876	24,868,270	35,344,025	(102,890,745)	12,090,130
Change in non-admitted assets and related items	(53,481,760)	(26,739,424)	(35,940,958)	93,857,165	(19,326,136)
Change in liability for reinsurance in unauthorized companies	532,143	(8,318)	(13,161)	(220,305)	305,246
Change in reserve valuation basis	(143,600,000)	(68,000,000)	(100,000,000)	(90,000,000)	(130,000,000)
Change in asset valuation reserve	(5,922,205)	(5,192,747)	(2,864,351)	1,227,982	(1,391,311)
Cumulative effect of changes in accounting principles	3,134,508	0	0	0	0
Surplus adjustments:					
Paid in	155,000,000	40,000,000	40,000,000	89,737,521	125,000,000
Change in surplus as a result of reinsurance	(86,782)	(65,086)	(43,392)	(32,543)	(21,696)
Net change in capital and surplus for the year	5,791,495	(8,640,684)	18,894,340	16,756,537	(24,693,585)
Capital and surplus, December 31, current year	$ 272,116,021	$263,475,337	$ 282,369,677	$ 299,126,214	$ 274,432,629

F. Reserves

The Department reviewed the Company’s reserves as of December 31, 2018. The review included an examination of the asset adequacy analysis according to 11 NYCRR 95 (Insurance Regulation 126) and the minimum reserves calculated according to 11 NYCRR 94 (Insurance Regulation 56). During the review, it was noted that the Company was updating the assumptions for its long-term care business which resulted in the need for additional reserves.

The examiner recommends that the Company continue to increase its reserves as agreed upon with the Department.

7. SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus—COVID-19—was reported in Wuhan, China. The virus has subsequently spread to other parts of the world, including the United States. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, President Donald J. Trump declared the pandemic a national emergency. The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner.

The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business.

The Department, along with all insurance regulators and the NAIC, is closely monitoring the evolving situation and the insurance industry through a coordinated effort to assess the effect of the pandemic on various types of insurance, individual insurers, and the insurance industry as a whole.

8. SUMMARY AND CONCLUSIONS

Following are the recommendation and comment contained in this report:

Item	Description	Page No(s).
A	The Department reviewed the Company's reserves as of December 31, 2018. During the review, it was noted that the Company was updating the assumptions for its long-term care business which resulted in the need for additional reserves. The examiner recommends that the Company continue to increase its reserves as agreed upon with the Department.	24
B	The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business. The Department, along with all insurance regulators and the NAIC, is closely monitoring the evolving situation and the insurance industry through a coordinated effort to assess the effect of the pandemic on various types of insurance, individual insurers, and the insurance industry as a whole.	25

Respectfully submitted,

Mary B. Packard

Mary Packard, CFE, CPA
Examiner-in-Charge

STATE OF ALABAMA)
)SS:
COUNTY OF JEFFERSON)

Mary Packard, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

Mary B. Packard

Mary Packard, CFE, CPA

Subscribed and sworn to before me

this 24th day of June 2020

Seretha Jolly

SERETHA JOLLY
COMM. EXP.
NOTARY
PUBLIC
JULY 2, 2023
ALABAMA STATE AT LARGE

Respectfully submitted,

_____________/s/____________
Christine Mavour
Associate Insurance Examiner

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

Christine Mavour, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

_____________/s/____________
Christine Mavour

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 31949

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **LINDA A. LACEWELL**, Acting 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:*

MARY B. PACKARD
(NOBLE CONSULTING SERVICES, INC.)

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 17th day of April, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services

By:

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU