

**REPORT OF EXAMINATION**

**OF**

**PROTECTIVE LIFE AND ANNUITY INSURANCE COMPANY  
BIRMINGHAM, ALABAMA**

**AS OF  
DECEMBER 31, 2019**

## TABLE OF CONTENTS

EXAMINER'S AFFIDAVIT .....	iii
SALUTATION.....	1
SCOPE OF EXAMINATION .....	2
ORGANIZATION AND HISTORY .....	4
MANAGEMENT AND CONTROL .....	7
Stockholders.....	7
Board of Directors .....	7
Officers.....	7
Committees .....	13
Conflict of Interest.....	14
CORPORATE RECORDS .....	14
HOLDING COMPANY AND AFFILIATE MATTERS.....	15
Holding Company .....	15
Dividends/Distributions to Shareholders.....	15
Management and Service Agreements.....	15
Organizational Chart .....	20
DIVIDENDS TO POLICYHOLDERS .....	26
EMPLOYEE AND AGENT WELFARE.....	26
COMPLIANCE WITH 18 U.S.C. § 1033 (ALA. ADMIN. CODE 482-1-146-.11 (2009)) .....	26
SPECIAL DEPOSITS .....	27
FINANCIAL CONDITION/GROWTH OF THE COMPANY.....	27
MARKET CONDUCT ACTIVITIES .....	27
Plan of Operation.....	27
Territory .....	28
Underwriting and Rating.....	28
Marketing and Advertising.....	28
Claims Handling.....	28
Producer Licensing.....	29
Policyholder Complaints .....	29
Compliance with Privacy Policies and Practices.....	29
REINSURANCE.....	30

**Reinsurance Assumed ..... 30**  
**Reinsurance Ceded.....31**  
**ACCOUNTS AND RECORDS .....31**  
**FINANCIAL STATEMENT INDEX ..... 32**  
**NOTES TO FINANCIAL STATEMENTS ..... 37**  
**CONTINGENT LIABILITIES AND PENDING LITIGATION ..... 37**  
**COMPLIANCE WITH PREVIOUS RECOMMENDATIONS ..... 37**  
**SUBSEQUENT EVENTS..... 37**  
**COMMENTS AND RECOMMENDATIONS ..... 38**  
**CONCLUSION..... 40**

**EXAMINER'S AFFIDAVIT**

**STATE OF ALABAMA  
COUNTY OF JEFFERSON**

Rhonda B. Ball being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of Protective Life and Annuity Insurance Company.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Protective Life and Annuity Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.



Rhonda B. Ball, CFE

Subscribed and sworn before me by Rhonda B. Ball on this 28<sup>th</sup> day of May, 2021.

(SEAL)



(Signature of Notary Public)

My commission expires 08/17/2022.



KAY IVEY  
GOVERNOR

JIM L. RIDLING  
COMMISSIONER

STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
201 MONROE STREET, SUITE 502  
POST OFFICE BOX 303351  
MONTGOMERY, ALABAMA 36130-3351  
TELEPHONE: (334) 269-3550  
FACSIMILE: (334) 241-4192  
INTERNET: [www.aldoi.gov](http://www.aldoi.gov)

DEPUTY COMMISSIONER  
MARK FOWLER  
CHIEF EXAMINER  
RICHARD L. FORD  
STATE FIRE MARSHAL  
SCOTT F. PILGREEN  
GENERAL COUNSEL  
REYN NORMAN

May 28, 2021

Honorable Jim L. Ridling, Commissioner  
Alabama Department of Insurance  
P.O. Box 303351  
Montgomery, Alabama 36130-3351

Dear Commissioner Ridling:

Pursuant to your instructions and in compliance with statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full scope financial and market conduct examination as of December 31, 2019 has been made of

**Protective Life and Annuity Insurance Company  
Birmingham, Alabama**

virtually at the Alabama Department of Insurance office located at 100 Concourse Parkway, Hoover, Alabama 35244. The Company's home office was located at 2801 Highway 280 South, Mountain Brook, Alabama 35223. The report of examination is submitted herewith.

Where the description "Company" or "PLAIC" appears herein, without qualification, it will be understood to indicate Protective Life and Annuity Insurance Company.

## SCOPE OF EXAMINATION

We have performed our multi-state examination of Protective Life and Annuity Insurance Company (PLAIC). The last examination covered the period of January 1, 2010 through December 31, 2014. This examination covers the period of January 1, 2015 through December 31, 2019.

The examination was conducted in accordance with applicable statutory requirements of the *Code of Alabama 1975*, as amended, the Alabama Insurance Department regulations, bulletins and directives and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices. All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment was documented separately following the Company's financial statements.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination was conducted as a coordinated examination with the following affiliated companies: Protective Life Insurance Company (PLICO) (parent) of Tennessee, West Coast Life Insurance Company (WCL) (affiliate) of Nebraska, MONY Life Insurance Company (MONY) (affiliate) of New York and the Company (subsidiary of PLICO). These examinations were coordinated with the five-year examination of PLICO, with Tennessee being the lead state. During the planning, the examiners from the four states reviewed all accounts and balances, and determined the activities that were key for all four companies and which would be examined in the coordinated examination. The key activities included Pricing/Underwriting, Reserving/Claims Handling, Reinsurance, Investments, Separate Accounts and Related Parties. In addition, the PLAIC examination covered the Company's compliance with the recommendations made in the 2014 Report of Examination and

those issues identified during the planning deemed immaterial to the coordinated examination but were material to the PLAIC examination. Where deemed appropriate, transactions, activities and similar items subsequent to 2019 were reviewed.

This examination report includes significant findings of fact, as mentioned in the *Code of Alabama 1975*, as amended, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but are separately communicated to other regulators and/or the Company.

The Company's 2015 through 2019 annual statements were compared with or reconciled to the corresponding general ledger account balances.

An examination of Protective Life Corporation's (PLC) (the Company's ultimate parent) information systems (IS) was conducted concurrently with the financial examinations. All the companies use primarily the same systems. The IS examination included a review of management and organizational controls, logical and physical security controls, changes in applications controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

Tennessee and Alabama performed separate market conduct examinations concurrently with the financial examination. The examinations included reviews of the companies' territory and plan of operation, management and operations, claims, complaint handling, marketing and sales, policyholder services, producer licensing, underwriting and rating, and privacy standards. See "**MARKET CONDUCT ACTIVITIES**" on page 27 for further discussion of PLAIC's market conduct examination.

PLC maintains an Internal Audit (IA) Department, which is charged with performing the internal audit function for all companies within the holding company system. The IA Department is subject to oversight by PLC's Audit Committee, which is comprised of all outside directors. Reports generated by the IA Department were made available to the examiners and were used in the examination as deemed appropriate. In addition, the IA Department is responsible for the testing and documentation of all processes, the risks for each, and all mitigating controls over those risks as required by Sarbanes-Oxley (SOX) 404. The examiners reviewed the processes tested and requested the workpapers for specific ones, which had been identified as significant to the key activities and sub-activities being

examined. The workpapers were provided and were utilized where deemed appropriate.

KPMG, LLP was the certified public accountant (CPA) for the last year under examination. PricewaterhouseCoopers, LLP was the Company's CPA for the other four years under examination. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed certificate of representation for the Company was obtained during the course of the examination. In this certificate, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2019.

## **ORGANIZATION AND HISTORY**

The Company (DBA Pioneer Western) was licensed by Arkansas on July 12, 1955, and commenced business September 1, 1955. On December 31, 1960, American Foundation Life Insurance Company of Arkansas was merged into Pioneer Western, at which time the name was changed to American Foundation/Pioneer Western Life Insurance Company. The name American Foundation Life Insurance Company was adopted July 1, 1963.

The Company was incorporated as Alabama Foundation Life Insurance Company under the laws of the State of Alabama on November 20, 1978, in order to redomesticate the Arkansas insurer, American Foundation Life Insurance Company, to Alabama. Under the terms of a merger agreement dated November 22, 1978, redomestication to Alabama was accomplished. The Company then assumed the name American Foundation Life Insurance Company.

The capital of the Company was \$1,000,000 with 100,000 shares of \$10 par value common stock authorized, issued and outstanding. Capital was increased on September 30, 1980, to \$1,200,000 as the result of a \$200,000 (20,000 shares of \$10 par value common stock) stock dividend. Also during 1980, the Company received a surplus contribution of \$2,285,419.

The Company merged with American Sentinel Life Insurance Company, a South Carolina corporation, effective January 1, 1981. The name of the surviving Company remained American Foundation Life Insurance Company.

On September 19, 1983, the ALDOI approved the acquisition of the Company by Protective Life Corporation (PLC), then known as Protective Corporation, and its



subsidiary Protective Life Insurance Company (PLICO). Immediately prior to this acquisition, the Company's capital was increased by the issuance of a new class of \$1 par value redeemable participating preferred stock, of which 2,000 shares were authorized and issued as a stock dividend. The transaction was recorded by crediting paid-in capital with \$2,000 and paid-in surplus with \$1,998,000.

As provided for in the stock purchase agreement dated August 29, 1983, PLC purchased the participating preferred stock, and PLICO purchased the common stock. The participating preferred stock had a mandatory redemption provision requiring redemption on September 30, 1991 for \$2,000,000. This redemption period was extended on September 25, 1991 for an additional five-year period or until September 30, 1996. The Company amended the preferred stock to remove the maturity date and changed the language in the stock issue to reflect that the stock was redeemable at the discretion of the Company.

Pursuant to the stockholders' resolution dated December 30, 1983, the Company's authorized capital was increased to \$2,002,000, consisting of 2,000 shares of \$1 par value preferred stock and 200,000 shares of \$10 par value common stock. PLICO was granted the additional authorized 80,000 shares of common stock "...in consideration of \$800,000 of \$1,489,566 contributed to the surplus...as authorized on November 2, 1983..." Due to a partial liquidation distribution to the previous owner of the Company and a surplus contribution in 1983, the Company's paid-in and contributed surplus was reduced to \$6,200,000.

The Company's authorized, issued and outstanding capital stock remained constant since that time at 2,000 shares of \$1 par value participating preferred stock, and 200,000 shares of \$10 par value common stock until July 15, 1998, when the Company's Board of Directors increased the number of authorized shares of common stock from 200,000 shares to 500,000 shares. On August 18, 1998, the Company's Board of Directors declared a 25% stock dividend thereby increasing the total issued shares of common stock to 250,000 shares, or \$2,500,000 par value. On October 20, 1998, the Company's Board of Directors changed the name of the Company from American Foundation Life Insurance Company to Protective Life and Annuity Insurance Company effective March 1, 1999.

The Company received a \$100,525,865 capital contribution resulting in a year-end 1999 balance of \$106,725,865. The Company received a capital contribution of \$70,000,000 during 2002, and the balance at year-end 2003 was \$176,725,865. The Company reported in its 2003 Annual Statement Unassigned funds of (\$70,496,363) and special surplus funds of \$6,815. The Company's total reported surplus as of December 31, 2003 was \$106,236,317.

In 2006, the Company paid PLICO, an extraordinary dividend of \$78,500,000 that decreased Gross paid in and contributed surplus to \$98,225,865. In 2007, another extraordinary dividend was paid to PLICO in the amount of \$12,800,000, further reducing Gross paid in and contributed surplus to \$85,425,865. In 2009, PLICO paid in \$25,000,000 into the Company's surplus, increasing the Gross paid in and contributed surplus to \$110,425,865. In 2010, the Company made a distribution of \$13 million to PLICO, which decreased the Company's Gross paid in and contributed surplus to \$97,425,865. In 2011, the Company made a distribution of \$4.4 million to PLICO, which decreased the Company's Gross paid in and contributed surplus to \$93,025,865.

On July 1, 2012, the Company merged with its affiliate, Protective Life Insurance Company of New York (PLICONY) as part of a statutory merger. PLICONY was a stock, legal reserve, life and accident & health insurer domiciled in the State of New York. Permission for the merger was received both from the Alabama Department of Insurance and New York Department of Financial Services. After the merger, the Company remained as the surviving legal entity, and PLICONY ceased to exist. With this merger, the Company's Gross paid in and contributed surplus increased to \$274,868,862.

In 2013, the Company made a distribution totaling \$39.8 million to its parent, PLICO, which decreased the Company's Gross paid and contributed surplus to \$235,068,862. In 2014, the Company made a distribution totaling \$44.5 million to PLICO, which decreased the Company's Gross paid and contributed surplus to \$190,568,862 (reported at December 31, 2014).

The Company reported in its 2019 Annual Statement unassigned funds of (\$86,579,901). The Company's total reported surplus as of December 31, 2019, was \$342,988,962.

The purposes and objectives of the Company, as stated in the Articles of Incorporation, as amended, shall be to:

...engage in any lawful business... and to transact the business of life, disability, health and accident insurance and to issue annuities and endowments and every other kind of insurance in such places as may be approved by the Board of Directors, subject to applicable regulatory approvals... .

## MANAGEMENT AND CONTROL

### Stockholders

The Company is a wholly-owned subsidiary of Protective Life Insurance Company (PLICO), a Tennessee stock corporation. PLICO is 100 percent owned by Protective Life Corporation (PLC), a Delaware stock corporation.

The 2011 Amended and Restated Bylaws provide for the annual meeting of the shareholders for the purpose of electing directors and for the transactions of such other business as may come before the meeting. The meeting shall be held at such date and time during the calendar year as shall be specified by resolution of the Board of Directors. Special meetings may be called for any purpose by the Board of Directors, Executive Committee or the Chief Executive Officer.

### Board of Directors

On June 17, 2019, the sole shareholder elected the Company's Board of Directors. The members serving as of December 31, 2019 were as follows:

<b>Directors/Residence</b>	<b>Principal Occupation</b>
Richard Joseph Bielen Birmingham, Alabama	Chairman, President and Chief Executive Officer Protective Life Corporation
Michael Gus Temple Birmingham, Alabama	Vice Chairman and Chief Operating Officer Protective Life Corporation
Carl Sitter Thigpen Birmingham, Alabama	Executive Vice President and Chief Investment Officer Protective Life Corporation
Lance Pierson Black Birmingham, Alabama	Senior Vice President and Treasurer Protective Life Corporation
Steven Glen Walker Birmingham, Alabama	Executive Vice President and Chief Financial Officer Protective Life Corporation

### Officers

The officers serving as of December 31, 2019 were:

<b>Name</b>	<b>Title</b>
Richard Bielen	Chairman of the Board, President and Chief Executive Officer
Michael Temple	Vice Chairman and Chief Operating Officer
D. Scott Adams	Executive VP, Chief Digital and Innovation Officer
Mark Drew	Executive VP and General Counsel
Nancy Kane	Executive VP, Acquisitions and Corporate Development
Carl Thigpen	Executive VP and Chief Investment Officer
Steven Walker	Executive VP and Chief Financial Officer
Gregory Alberti	Senior VP and Managing Director, Advisory Annuity Channel
M. Lee Bartlett	Senior VP, Corporate Tax
Robert Bedwell	Senior VP, Mortgage Loans
Max Berueffy	Senior VP and Senior Counsel
Lance Black	Senior VP and Treasurer
Kevin Borie	Senior VP and Chief Valuation Actuary
Steve Callaway	Senior VP, Senior Counsel, and Secretary
Sean Casey	Senior VP and Corporate Actuary
Scott Creutzmann	Senior VP and Chief Compliance Officer
Mark Cyphert	Senior VP and Chief Information and Operations Officer
Stephane Goyer	Senior VP and Head of Annuity Product Development
Wade Harrison	Senior VP and Chief Product Actuary
Matthew Kohler	Senior VP and Chief Technology
Ron Laeyendecker	Senior VP, Executive Benefit Markets
Mary Pat Lawrence	Senior VP, Government Affairs
David Loper	Senior VP and Senior Counsel
Laura McDonald	Senior VP, Senior Housing
Mark McVeigh	Senior VP, Life Insurance Sales
Michelle Moloney	Senior VP and Chief Risk Officer
Christopher Moschner	Senior VP and Chief Marketing Officer
Philip Passafiume	Senior VP and Director of Fixed Income
Aaron Seurkamp	Senior VP, Life and Annuity Executive
Barrie Stokes	Senior VP and Senior Counsel
James Wagner	Senior VP, Annuity Sales
Paul Wells	Senior VP, Chief Accounting Officer and Controller
Lucinda Williams	Senior VP, Customer Experience
Michael Adams	VP and Associate Actuary
Douglass Alexander	VP, Investments
Matthew Baldwin	VP, Market Planning

Leigh Bern	VP and Projections Actuary
Edna Boatright	VP, Marketing Shared Services
Kristi Breaux	VP, Corporate Accounting
Barry Brown	VP, Operations
Kenneth Byrd	VP, Operations
Edwin Caldwell, II	VP, Acquisition Services
Raja Chakarvorty	VP, Data Science
Duncan Cook	VP, Risk Management
David Cottis	Regional Vice President
Steve Cramer	VP, Risk Management
Kimberly Curley	VP, Executive Benefits Products
Ryan Dawkins	VP, Operations
Ross Eriksson	VP and Actuary
Nathan Eshelman	VP, Life Product Manager
Charles Evers, Jr.	VP, Corporate Accounting and Assistant Secretary
Laura Foster	VP, Senior Counsel
Bradley Gabel	VP and Chief Underwriting Officer
David Germany	VP and Assistant Treasurer
Richard Hackett	VP, Senior Counsel
James Hardeman	VP and LAD Chief Financial Officer
Stephen Heacock	VP, LAD Financial Reporting
Richard Hotham	VP and Managing Director Financial Institutions
Andrew Jenkins	VP, Annuity Pricing Leader
Thomas Kacirek	VP, Specialty Insurance Markets
Alex Kolumbus	VP and Senior Counsel
Benjamin Laramée	VP, Life Marketing Strategy
Frank Lassiter	VP, Acquisitions and Capital Markets
Gregory Lazar	VP and Managing Director Execl Agency Markets
Alice Lowry	VP, Corporate Tax
Anil Manji	VP, Senior Actuary Risk
William McMullen, Jr.	VP, Corporate Accounting
Amy Mertler	VP and Senior Associate Counsel Investments and Assistant Secretary
Letitia Morsch	VP, Operations
David Napoli	VP, Annuity Product Manager
Lori Oswald	VP, Corporate Accounting
Jason Otts	VP, Chief Project Officer
David Perry	VP, Corporate Strategy Development
A. Craig Phillips	VP, Statutory Reporting and Assistant Secretary

Kevin Powell	VP, Actuarial Controller
Francis Radnoti	VP, Head Life Product Development and Designated Illustration Actuary
Alisha Reed	VP, Marketing Strategy
Teresa Schultz	VP, Marketing Program Delivery
Leslie Self	VP, Corporate Modeling
Mary Simmons	VP and Experience Actuary
Stuart Smith	VP and Valuation Actuary
Katherine Tierney	VP and Senior Distribution Partner
E. Allen Thompson	VP, Chief Information Security Officer and Primary Intelligence/Information Officer NYDOI
Timothy Wood	VP, Life Insurance Risk
Michelle Woods	VP, Creative Services
Barbra Aland	2 <sup>nd</sup> VP and Actuary
Thomas Angelillo	2 <sup>nd</sup> VP, Investment Securities
Mahmound Barati-Marnani	2 <sup>nd</sup> VP, Actuarial
Brooke Brandt	2 <sup>nd</sup> VP, Finance and Accounting
Erin Brooks	2 <sup>nd</sup> VP and Associate Counsel
Erin Brown	2 <sup>nd</sup> VP, Annuity Marketing Strategy
Jeannine Brown	2 <sup>nd</sup> VP and Actuary
Allen Bull	2 <sup>nd</sup> VP and Actuary
Richard Byrne	2 <sup>nd</sup> VP and Actuary
Adam Campbell	2 <sup>nd</sup> VP, Investment Operations
Brian Campbell	2 <sup>nd</sup> VP and Actuary
Brett Carmichael	2 <sup>nd</sup> VP and National Account Manager
Patricia Cobb	2 <sup>nd</sup> VP, Cash Management
John Copenbaker	2 <sup>nd</sup> VP, Distribution Operations
Rindy Culyer	2 <sup>nd</sup> VP, Web Services and Marketing Technology
Leonard Cutchen	2 <sup>nd</sup> VP, Financial Reporting
Alan Davis	2 <sup>nd</sup> VP and Associate Actuary
Willie DeVold	2 <sup>nd</sup> VP, Operations
Valary Dornfeld	2 <sup>nd</sup> VP, Operations Services
Shanon Dudney	2 <sup>nd</sup> VP, Financial Reporting
Chrissy Dunning	2 <sup>nd</sup> VP, Internal Sales
Phillip Earle	2 <sup>nd</sup> VP and Chief Financial Actuarial, LAD
Troy Elliott	2 <sup>nd</sup> VP, Risk Management
Alika Ezell	2 <sup>nd</sup> VP, Enterprise Solutions Architect

Misty Frey	2 <sup>nd</sup> VP, Specialty Insurance Markets Business Development & Marketing
Robert Fulcher	2 <sup>nd</sup> VP, Marketing Strategy
Gina Goodreau	2 <sup>nd</sup> VP, Specialty Insurance Operations
Diane Griswold	2 <sup>nd</sup> VP, Investments
Steve Grondin	2 <sup>nd</sup> VP and Actuary
Jeffrey Halwes	2 <sup>nd</sup> VP, Reinsurance
Ramey Harrell	2 <sup>nd</sup> VP, Market Research
Nathan Jeppson	2 <sup>nd</sup> VP and Actuary
Tara Jonsson	2 <sup>nd</sup> VP, Distribution Operations
Russell Kolmin	2 <sup>nd</sup> VP and Actuary
Jamie Lane	2 <sup>nd</sup> VP, Investment Operations
Andrew Light	2 <sup>nd</sup> VP and Director RROC Operations
Mary Madden	2 <sup>nd</sup> VP and Actuary
Anne McSorley	2 <sup>nd</sup> VP, Service Management and User Experience
Allison Marciano	2 <sup>nd</sup> VP, Marketing Communications
Ellen Michael	2 <sup>nd</sup> VP, Marketing Strategy
Clifton Neal	2 <sup>nd</sup> VP, Reinsurance
Collin Newberry	2 <sup>nd</sup> VP, Corporate Accounting
Greg Ordonez	2 <sup>nd</sup> VP, National Accounts Executive Benefits
Kurt Ozier	2 <sup>nd</sup> VP and Actuary
Jonathan Prince	2 <sup>nd</sup> VP and Actuary
Michael Rebholz	2 <sup>nd</sup> VP, Operations
Gregory Roventini	2 <sup>nd</sup> VP and National Sales Director
John Schumacher	2 <sup>nd</sup> VP and Actuary
Gerald Stewart	2 <sup>nd</sup> VP and Associate Actuary
Jeffrey Straight	2 <sup>nd</sup> VP and Underwriting Manager
M. Kevin Sullivan	2 <sup>nd</sup> VP, Compliance and Secondary Intelligence/Information Officer, NYDO
Robert Summa	2 <sup>nd</sup> VP and National Account Manager
Sherri Thrasher	2 <sup>nd</sup> VP, Financial Reporting
Mark Wilson	2 <sup>nd</sup> VP, Application Systems
Choung Yang	2 <sup>nd</sup> VP and Actuary
Shree Adhikari	Assistant VP and Actuary
Garett Bailey	Assistant VP and Divisional Sales Manager
Mark Barnum	Assistant VP and Underwriting Manager
Spencer T. Beattle	Assistant VP, Projection Analyst
Kristin Blake	Assistant VP and Underwriting Manager
Grant Briggs	Assistant VP, Lists and Data

Sara Brittingham	Assistant VP, Life Marketing Strategy
Joseph Burns	Assistant VP, Marketing Analytics
George Cash	Assistant VP, Compliance and Compliance Officer for Illustrations
Marc E. Cavadel	Assistant VP, Senior Contract Analyst
Jeechyng Chow	Assistant VP and Actuary
Benjamin Coffman	Assistant VP, Financial Reporting
Christopher Cooper	Assistant VP, Annuity Systems
Magdalena Diedrich	Assistant VP and Actuary
William Ehrbar	Assistant VP, Application Development Management
Christopher Figaro	Assistant VP and Actuary
Leah Fitts	Assistant VP, LAD Accounting
Carrie Folger	Assistant VP and Life Relationship Manager
Tammy Foshee	Assistant VP, Business Architect
Scott Hinton	Assistant VP, Underwriting Manager
Janet Hollingsworth	Assistant VP, Policy Revisions
Daniel Hobson	Assistant VP, Application Development Manager
Melba Horton	Assistant VP, Business Systems Development
William Johnston	Assistant VP and Actuary
Matthew Kenny	Assistant VP and Divisional Sales Manager
Nathan Kimbrell	Assistant VP and Actuary
Kathryn King	Assistant VP, Core Marketing Management
Daniel Ledlow	Assistant VP, Operations Services
Donald Leiderman	Assistant VP, Claims
Carol Majewski	Assistant VP, Compliance
Timothy Murray	BGA Regional VP
Noah Naccarato	Assistant VP and Actuary
Joseph Parks	Assistant VP, Corporate Accounting
Lenora Pepe	Assistant VP, Claims Operations
Lisa Ramsey	Assistant VP, Meetings and Events
David Robison	Assistant VP, Internal Sales
Frank Reuter	Assistant VP and Underwriting Manager
Susan Sanders	Assistant VP and Annuity Relationship Manager
Judy Sezemsky	Assistant VP and Program Manager
Lisa Sharp	Assistant VP, Competitive Intel
Brian Stevens	Assistant VP, Operations
Kathrine Thomas	Assistant VP, Print Fulfilment
Matthew Vovk	Assistant VP, Marketing Intel
Douglas Wernke	Assistant VP, Creative Director



Patrick West	Assistant VP and Senior Manager Insurance Administration
Tom Wilkinson	Assistant VP and Actuary
Eric Windsor	Assistant VP, Corporate Accounting
John Wirthlin	Assistant VP and Actuary
Gary Wooley	Assistant VP, Complete Intel
Martha Carlson	Annuity BD and DSM
Jeanne Barlow	Assistant Secretary
Susan Edge	Assistant Secretary
Felicia Lee	Assistant Secretary
Louis Frost	Medical Director
Michael Hoye	SPO Annuity Sales
Carrie Lines	Digital SME SIS Marketing
Tammy Robins	Managing Director Business Development
Matthew Williams	Practice Management Consultant
Dow Walker	Director II, LAD Accounting

### Committees

The Bylaws state, “The Board of Directors may, by resolution(s), adopted by a majority of the full Board of Directors, designate one or more committees, each committee to consist of one or more of the Directors of the Company...shall have and may during intervals between the meetings of the Board exercise the powers of the Board of Directors in the management of the business and affairs of the Company...”

#### Executive Committee

The following Board members were elected to serve as the Executive Committee:

Richard Joseph Bielen  
Michael Gus Temple

#### Audit Committee

The Audit Committee of PLC served as the Company’s audit committee pursuant to ALA. ADMIN CODE 482-1-141-.03 (c) (2019). The following were the members of this committee at December 31, 2019:

Vanessa Leonard  
William A. Terry  
W. Michael Warren, Jr.

## **Conflict of Interest**

Protective Life Corporation (PLC) and all its subsidiaries have adopted a Code of Business Conduct and Conflict of Interest Policy that requires all companies to be in compliance with all laws and regulations that are applicable to its business at all governmental levels. The policy requires that all directors and employees should conduct business of the Company on the highest ethical level and be free from conflicting interests and relationships. The policy requires all directors and exempt employees of the Company, to annually review and certify their compliance with the Code of Business Conduct and to report all information that may be relevant to determine the existence or likely development of a significant conflict of interest. Reports and certifications are required at the time of appointment of Officers and Directors and annually. All employees are to report immediately any changed circumstances which would cause the information in the most recent periodic report to become misleading, incomplete or outdated. Reports and certifications are submitted to the General Counsel and reviewed annually with the Audit Committee.

The conflict of interest statements filed by the Company's directors and officers during the examination period were reviewed. No conflicts were noted; however in 2019, the Company did not provide a conflict of interest certification for an officer. Conflict of interest certifications were provided for this officer for the other years under examination that he was an officer with no conflicts noted.

## **CORPORATE RECORDS**

The Articles of Incorporation and Bylaws, as amended, were inspected during the course of the examination and appeared to provide for the operation of the Company in accordance with usual corporate practice and applicable statutes and regulations. No amendments were made to the Company's Articles of Incorporation nor its By-laws during the examination period.

The minutes of meetings of the Stockholder, Board of Directors and Executive Committee were reviewed for the period under examination. The minutes reflected the approval of investment transactions occurring during the examination period, approval by the Board of the Executive Committee Actions, and a review of the Audit Committee Minutes of Protective Life Corporation. The minutes appeared to be complete with regard to actions taken on matters before the respective bodies for deliberation and action.

## **HOLDING COMPANY AND AFFILIATE MATTERS**

### **Holding Company**

The Company is subject to the Alabama Insurance Holding Company Regulatory Act as defined in ALA. CODE § 27-29-1 (1975), as amended. Appropriate filings required under the Holding Company Act are made from time to time on behalf of the Company by Protective Life Corporation. A review of the filings during the period under review indicated that appropriate disclosures were included regarding the Company.

### **Dividends/Distributions to Shareholders**

The following dividends/distributions were paid to the Company's parent, Protective Life Insurance Company (PLICO), during the current examination period:

2019	\$	0
2018	\$	0
2017	\$	34,600,000
2016	\$	32,000,000
2015	\$	0

### **Management and Service Agreements**

The Company had various management and service agreements in effect with affiliated companies at December 31, 2019. The following agreements were approved by the Alabama Department of Insurance and were in effect at year-end 2019:

#### *Administrative Services Agreement – West Coast Life Insurance Company*

The Company entered into an administrative services agreement with West Coast Life Insurance Company (WCL) on October 3, 2003.

WCL agrees to provide administrative services for certain term and universal life insurance business of the Company. These services include: marketing, compliance, policyholder services, policy issuance, accounting and financial reporting, licensing and commission payment, underwriting, and other services the Company may reasonably request with respect to the business. The Company agrees to reimburse WCL at cost for services and facilities provided by WCL. The charge to the Company for such services shall include all direct and indirect allocable expenses. WCL shall be

responsible for maintaining full and accurate accounts and records of all services rendered. The agreement can be terminated by either party by giving sixty days prior written notice to the other party, unless both parties agree in writing to a shorter advance notice period.

*Administrative Services Agreement – Protective Life Insurance Company*

The existing agreement dated November 3, 2005 was amended and restated on April 2, 2018 between Protective Life Insurance Company (PLICO) and the Company.

PLICO agrees to provide administrative services for certain term and other insurance business of the Company. These services include: marketing, compliance, policy administration, claims processing, underwriting, policy issue, accounting and financial reporting, licensing and commission payment, actuarial, and general and administrative services (such as mail services, property management, and other office services as may be requested).

The Company agrees to reimburse PLICO at cost for services and facilities provided by PLICO pursuant to the agreement. The charge to the Company for such services shall include all directly and indirectly allocable expenses. PLICO shall submit to the Company within fifteen days of the end of each calendar quarter a written statement of the amount estimated to be owed by the Company for the Services and Facilities provided pursuant to the Agreement in that calendar quarter, and the Company shall pay PLICO within fifteen days following receipt of such written statement the amount set forth in the statement. The agreement can be terminated without cause by either party upon giving sixty days prior written notice to the other party, unless both parties agree in writing to a shorter advance notice period; provided that electronic data processing services shall not be terminated by either party until 180 days or more advance written notice of termination.

*Agreement for Data Processing Programming Services – Protective Life Corporation*

This agreement was entered into on November 1, 1987, between Protective Life Corporation (PLC) and the Company.

The term of the agreement was initially for twelve months, beginning on November 1, 1987, automatically renewable on each anniversary. Either party shall give the other party written prior notice of at least sixty days prior to the end of any term of its intent not to renew this agreement for another term.

Appropriate cost of data processing programming services provided by PLC shall be billed by PLC, and the Company agrees to pay at such time and such cost as set out by PLC on statements it will furnish to the Company. Such cost shall be determined by allocating the expenses incurred by PLC for providing the data processing programming services based upon a percentage of the amount of time spent in performing said services for the Company by PLC's personnel multiplied by rates for such services in effect. These rates may be adjusted at any time by PLC, provided the Company receives a copy of the adjusted rate schedule within thirty days of any such change. Such cost shall be accumulated and settled monthly.

*Agreement for Investment Services – Protective Life Corporation*

This agreement was entered into on October 3, 1983, between Protective Life Corporation (PLC) and the Company.

The term of this agreement was for an initial term of twelve months, automatically renewable on each anniversary. Either party will give the other written notice, at least sixty days prior to the end of any term, of its intent not to renew this agreement for another term. The Investment Department of PLC agrees to research and analyze investment opportunities with respect to funds of the Company which require investment or reinvestment and to execute the purchases or sales of said investments. All transactions shall be reported to and are subject to ratification by the Company's Board of Directors. PLC's Investment Department shall be authorized to collect and transmit to the Company any and all amounts paid on such investments, and to manage such investments and reinvestments for the benefit of the Company.

The Investment Department of PLC further agrees to provide and maintain documentation necessary for the preparation of accounting records and any required reports needed monthly, quarterly, or as part of statutory annual filings. Charges for all investments services shall be computed and settled monthly as follows:

Bonds	5½% of interest income collected
Mortgages	5½% of all income collected on the mortgage loans serviced and an additional fee of 1½% of the initial asset value of each new mortgage loan added to the mortgage portfolio of the Company
Preferred Stock	5½% of dividends collected
Common Stocks	Quarterly fee of .125% of the market value of the Company's

Real Estate	common stock portfolio at the end of the preceding quarter 5½% of income received on real estate serviced
Other Invested Income	5½% of income received

The above stated fees do not include third party fees for activities or services rendered on investments other than the contractual service fees to mortgage loan service agents and equity advisors of PLC. On January 4, 1984, the agreement was amended to include the following provision: "The above stated fees do not include third party fees for activities or services rendered on investments such as the contractual service fees to mortgage loan service agents."

On January 3, 2011, the agreement was amended as follows:

PLC will submit to the Company within fifteen days of the end of each month the amount owed by the Company for investment services rendered pursuant to this agreement. The Company will pay within fifteen days following receipt of such amount. Payments made by the Company to PLC will be settled through intercompany accounts. If the agreement is terminated, a final accounting of amounts due will be settled within ninety days after the effective date of the termination.

*Agreement for Legal Services – Protective Life Corporation*

This agreement, effective January 1, 2004, is between the Company and Protective Life Corporation (PLC).

PLC agrees to provide legal services for the Company including, but not limited to, general corporate legal work, insurance related legal work, regulatory work, litigation supervision and contracts. PLC agrees to maintain sufficient facilities and trained personnel of the kind necessary to perform services under this agreement. PLC shall be responsible for maintaining full and accurate accounts and records of all services rendered. The Company agrees to reimburse PLC at cost for services provided. Charges for such services shall include all direct and indirectly allocable expenses. Any and all actions taken or advice or services provided by PLC are subject to the continuous supervision and approval of the Board of Directors and officers of the Company. Either party may terminate this agreement by providing written notice sixty days in advance, unless both parties agree in writing to a shorter advance notice period.

*Amendment and Clarification of the Tax Allocation Agreement*

The Tax Allocation Agreement dated January 1, 1988 by Protective Life Corporation (PLC) and each of its subsidiaries was amended, effective December 31, 1988, in its entirety for the purpose of clarification to include the following provisions.

The parent and the subsidiaries will file a consolidated federal income tax return so long as they are eligible to file such returns. For any taxable year for which a consolidated federal income tax return is filed, the parent agrees to prepare and file such returns and other appropriate documents as deemed necessary. For each taxable year for which the group files a life/non-life consolidated return, the group will be comprised of two sub-groups, non-life and life. Each subsidiary will calculate its tax liability as if it had filed its federal income tax return on an individual basis. If a subsidiary incurs a tax loss, or generates a tax credit that can't be used to offset the current year tax liability, the subsidiary shall only be entitled to a current benefit for such loss or credit to the extent the loss or credit can be carried back and used in determining the prior year's tax liability for said Company. If the subsidiary's tax loss or credit can't be carried back and used to determine the prior year's tax liability, then the amount will be carried forward on a separate Company basis. Any carryforwards shall not expire unless the amount is not utilized in the consolidated return.

The agreement applied to all taxable years ending on or after December 31, 1988. This agreement shall apply to any corporation which becomes a member of the group.

*Guaranty Agreement – Protective Life Insurance Company*

Effective October 27, 1993, Protective Life Insurance Company (PLICO) guaranteed that Protective Life and Annuity Insurance Company (PLAIC or Company) will pay all insurance policy claims made by the holders or beneficiaries of the Company's insurance policies in accordance with the terms and conditions of the policies. PLICO unconditionally guaranteed the due and punctual payment to the policyholders according to the following:

All obligations of American [the Company] to the Policyholders arising under the terms and conditions of any insurance policies issued by American [the Company] from the date hereof until the date this guaranty is terminated pursuant to the provisions hereof (the "policies"). It is specifically agreed and understood that this guaranty shall in no way expand the Policyholders' rights, but shall merely guarantee the payment of all amounts otherwise due them pursuant to the terms of the insurance policy they are claiming under.

This agreement shall remain in full force and effect until the earlier of (a) when the Company achieves a claims paying rate equal to or better than the Guarantor or (b) ninety days after it is revoked or terminated by a written instrument, signed by the Guarantor. Even after any revocation or termination by such notice, this guaranty shall be and remain effective as to any policies then outstanding. The agreement was amended on April 4, 1998, to include the following:

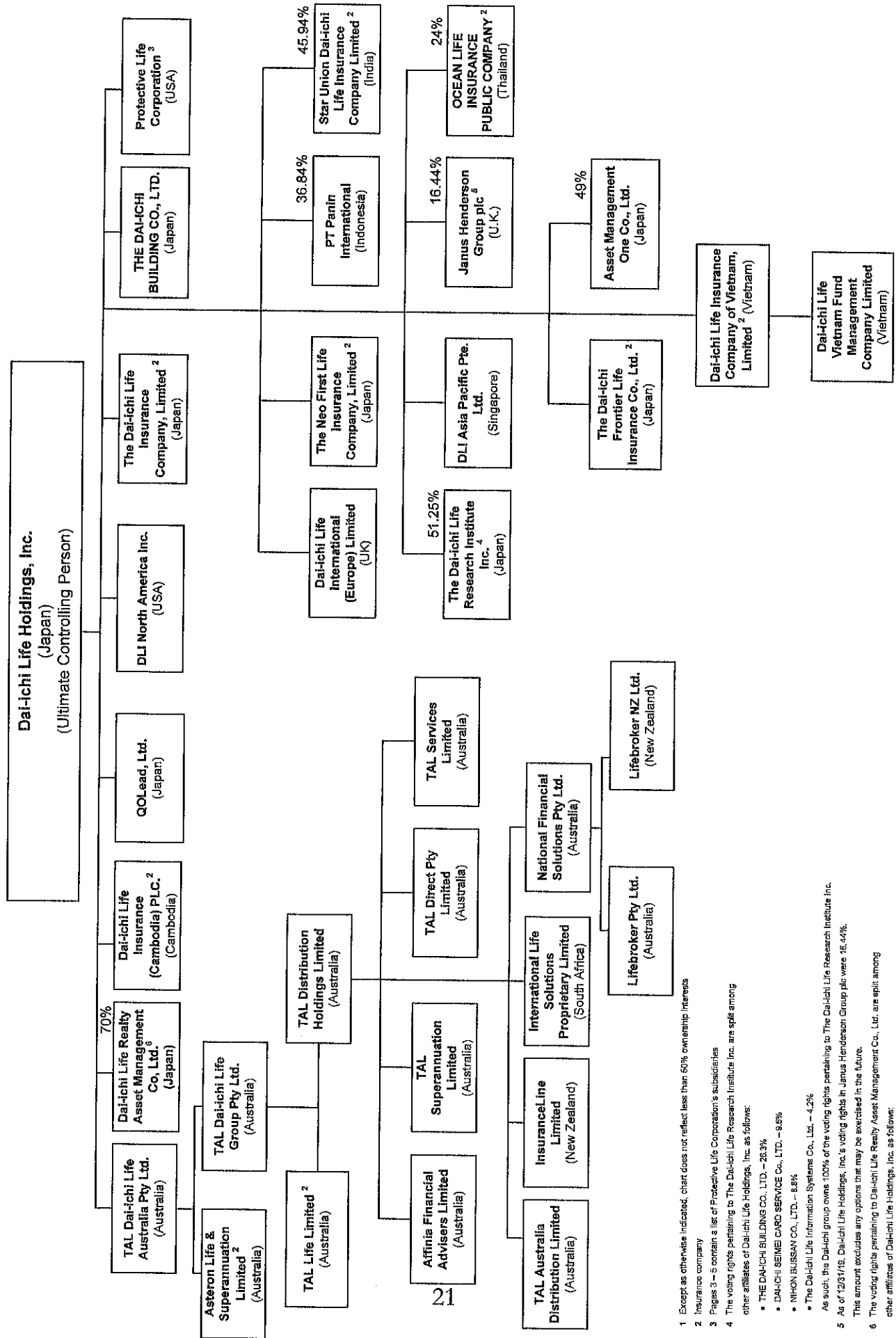
This guaranty may be enforced only if American [the Company] is unable to pay its obligations when as they become due, or if American [the Company] in [sic] placed in rehabilitation, receivership, liquidation or similar proceeding. This guaranty may be enforced only by American [the Company] or its successor (including without limitation its rehabilitator, receiver or liquidator).

### **Organizational Chart**

The following presents the identities of and the interrelationships among all affiliated persons within the Insurance Holding Company system at December 31, 2019.



Organizational Chart of Dai-ichi Life Holdings, Inc., as of December 31, 2019<sup>1</sup>



1 Except as otherwise indicated, chart does not reflect less than 50% ownership interests

2 Insurance company

3 Pages 3-5 contain a list of Protective Life Corporation's subsidiaries

4 The voting rights pertaining to The Dai-ichi Life Research Institute Inc. are split among other affiliates of Dai-ichi Life Holdings, Inc. as follows:

- THE DAI-ICHI BUILDING CO., LTD. - 28.3%
- DAI-ICHI SEIMEI CARD SERVICE CO., LTD. - 9.8%
- NIHON BUSSAN CO., LTD. - 8.8%
- The Dai-ichi Life Information Systems Co., Ltd. - 4.2%

As such, the Dai-ichi group owns 100% of the voting rights pertaining to The Dai-ichi Life Research Institute Inc.

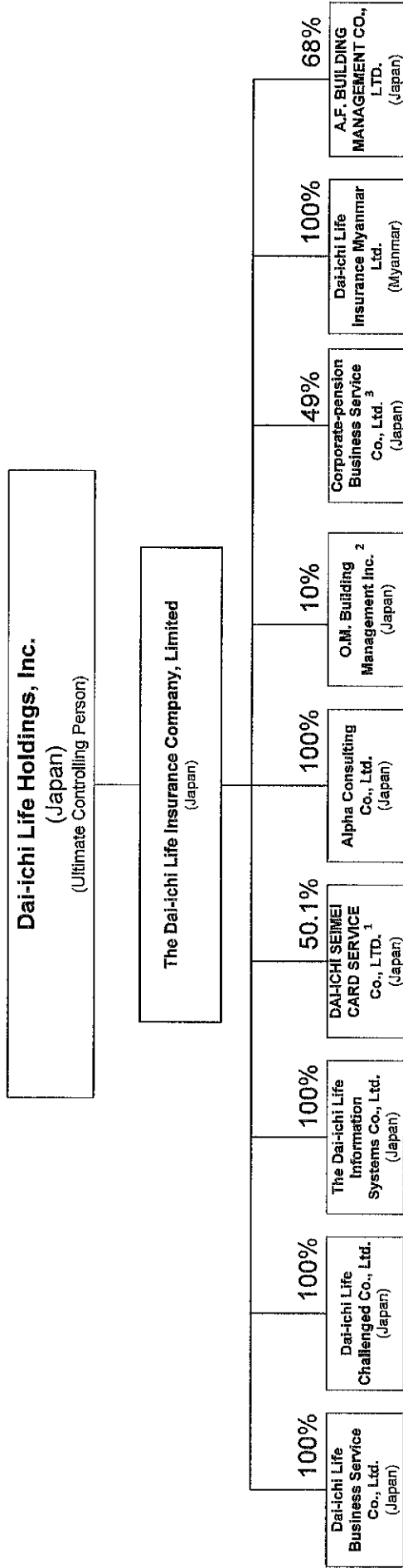
5 As of 12/31/19, Dai-ichi Life Holdings, Inc.'s voting rights in Janus Henderson Group plc were 16.44%. This amount excludes any options that may be exercised in the future.

6 The voting rights pertaining to Dai-ichi Life Realty Asset Management Co., Ltd. are split among other affiliates of Dai-ichi Life Holdings, Inc. as follows:

- SONGO HOUSING CO., LTD. - 30%

As such, the Dai-ichi group owns 100% of the voting rights pertaining to Dai-ichi Life Realty Asset Management Co., Ltd.

**Organizational Chart of Dai-ichi Life Holdings, Inc., as of December 31, 2019**



<sup>1</sup> The voting rights pertaining to DAI-ICHI SEIMEI CARD SERVICE Co., LTD. are split among the other affiliates of Dai-ichi Life Holdings, Inc. as follows:

- THE DAI-ICHI BUILDING CO., LTD. – 11.57%
- NIHON BUSSAN CO., LTD. – 20%
- SOHGO HOUSING CO., Ltd. – 10%
- The Dai-ichi Life Information Systems Co., Ltd. – 3.33%

As such, the Dai-ichi group owns 95% of the voting rights pertaining to DAI-ICHI SEIMEI CARD SERVICE Co., LTD.

<sup>2</sup> The voting rights pertaining to O.M. Building Management Inc. are split among the other affiliates of Dai-ichi Life Holdings, Inc. as follows:

- THE DAI-ICHI BUILDING CO., LTD. – 40%

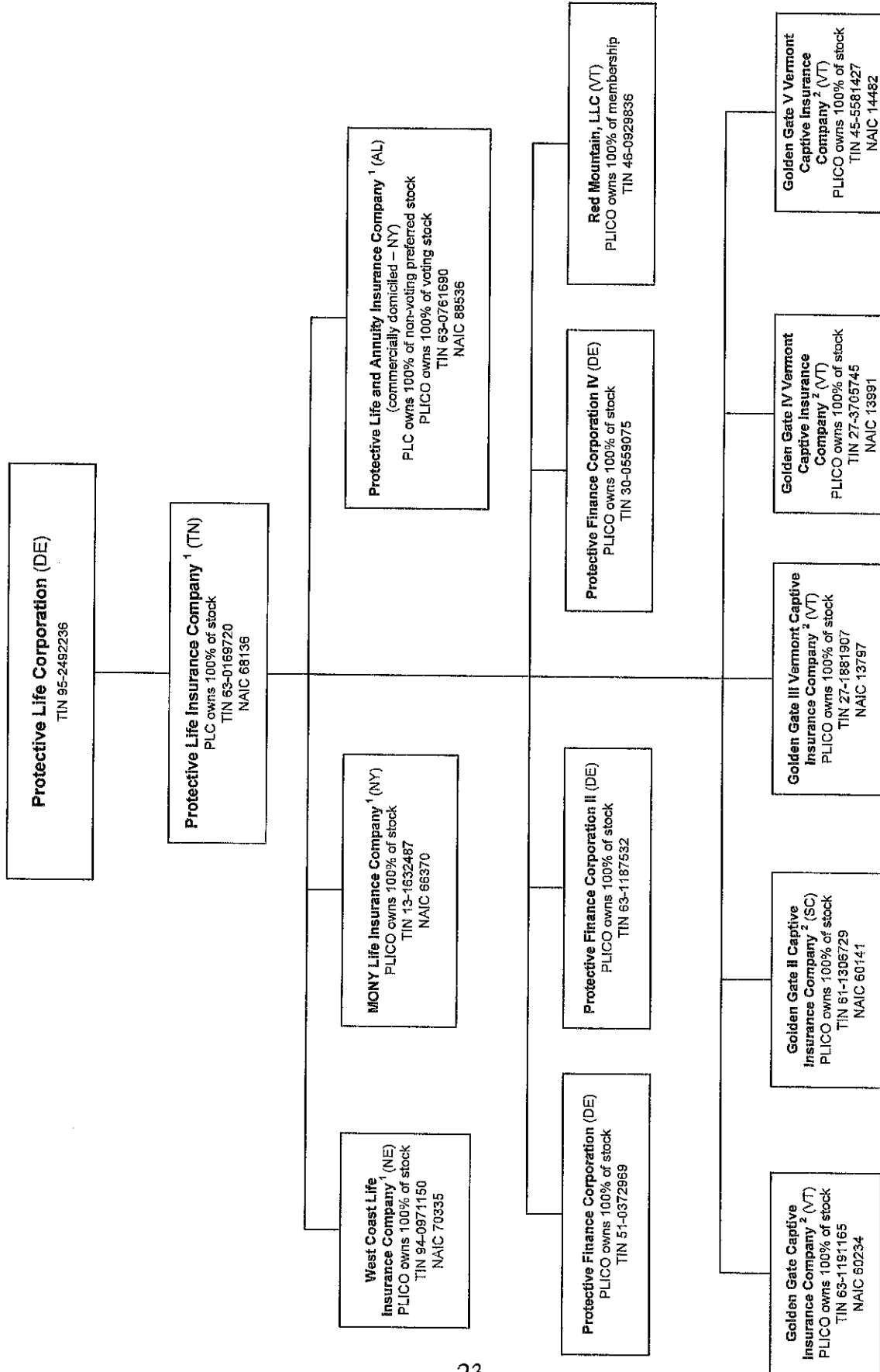
As such, the Dai-ichi group owns 50% of the voting rights pertaining to O.M. Building Management Inc.

<sup>3</sup> The voting rights pertaining to Corporate-pension Business Service Co., Ltd. are split among the other affiliates of Dai-ichi Life Holdings, Inc. as follows:

- The Dai-ichi Life Information Systems Co., Ltd. – 1%

As such, the Dai-ichi group owns 50% of the voting rights pertaining to Corporate-pension Business Service Co., Ltd.

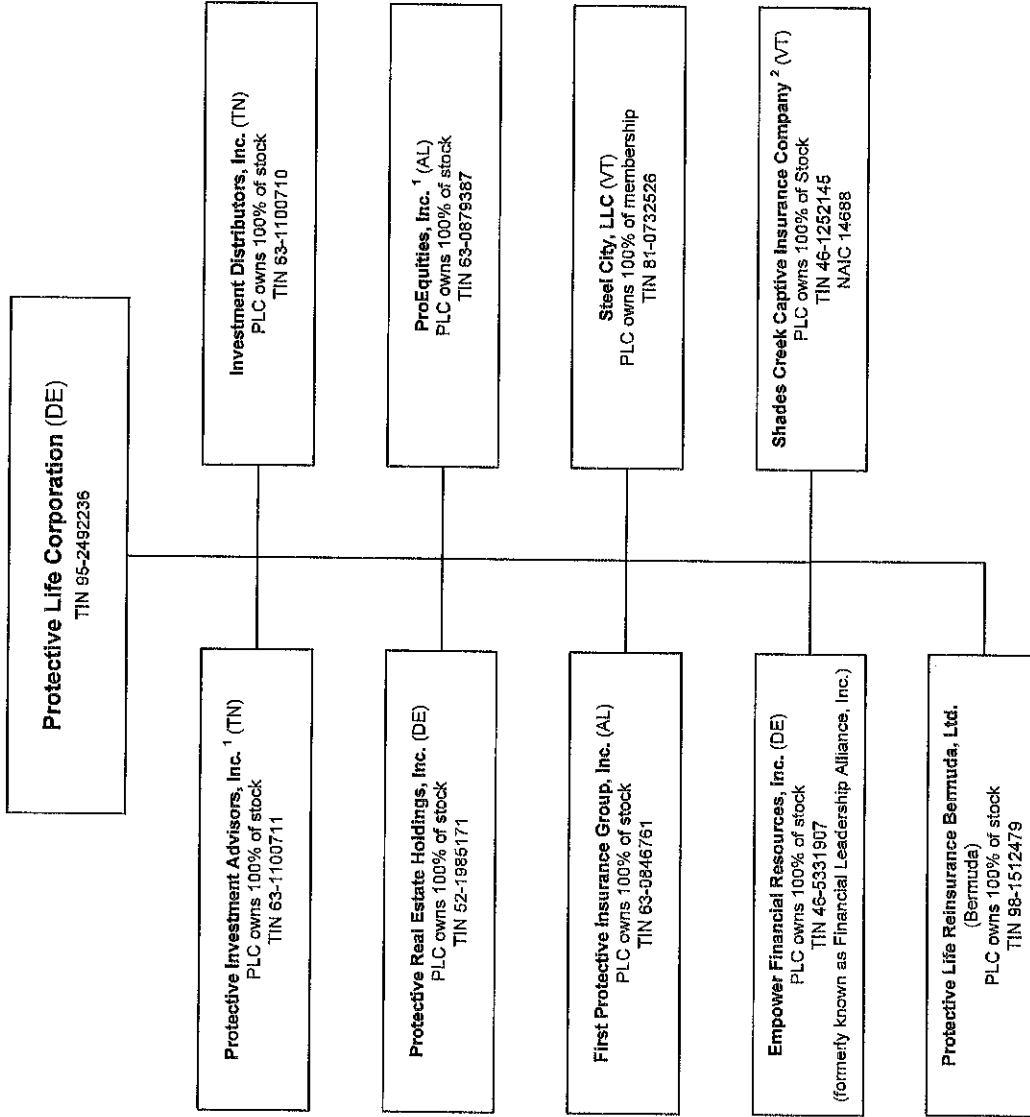
Organizational Chart of Dai-ichi Life Holdings, Inc., as of December 31, 2019



<sup>1</sup> insurance company

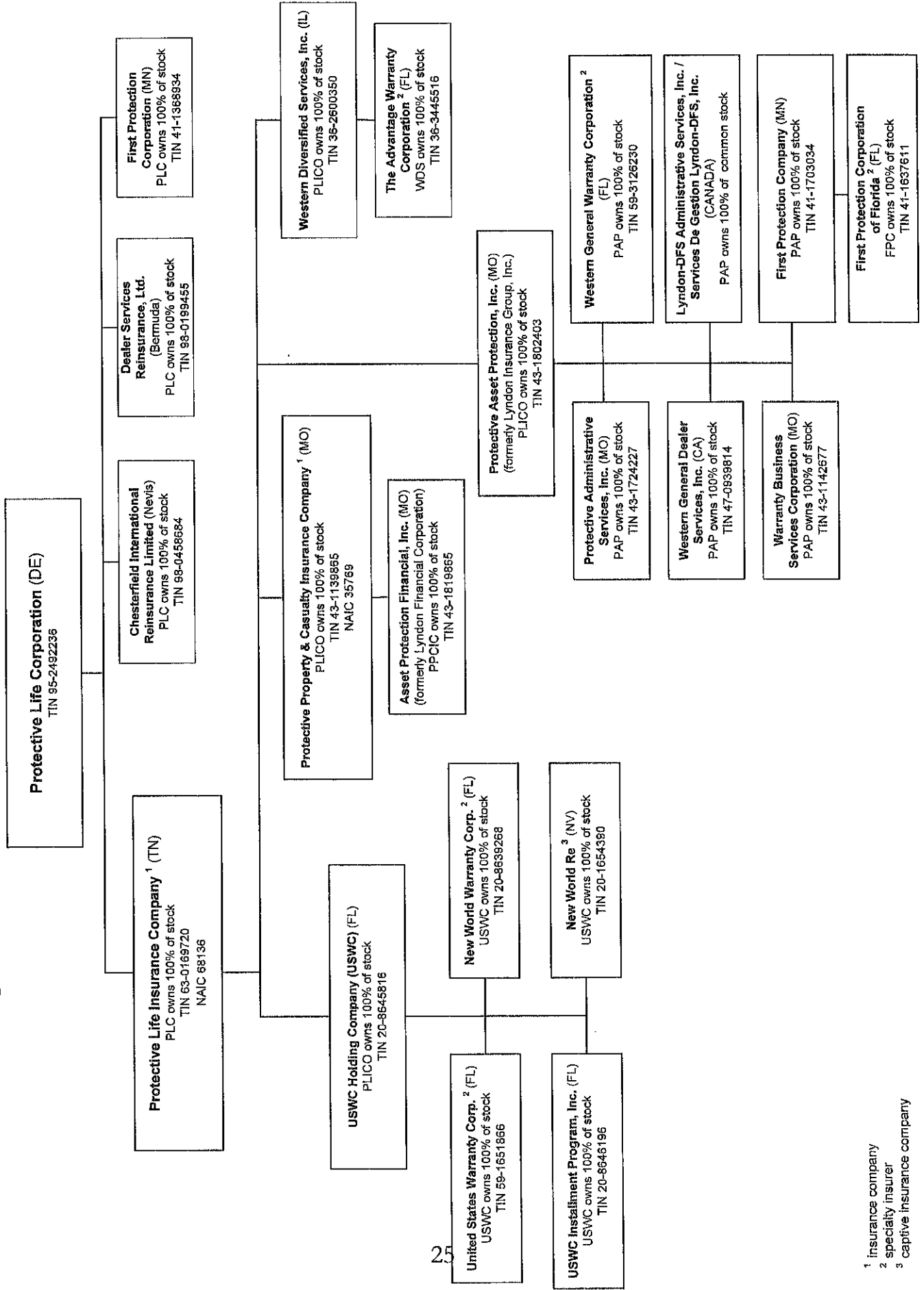
<sup>2</sup> captive insurance company

**Organizational Chart of Dai-ichi Life Holdings, Inc., as of December 31, 2019**



<sup>1</sup> registered investment adviser  
<sup>2</sup> captive insurance company

# Organizational Chart of Dai-ichi Life Holdings, Inc., as of December 31, 2019



1 insurance company  
 2 specialty insurer  
 3 captive insurance company

## **DIVIDENDS TO POLICYHOLDERS**

The Company paid policyholder dividends in the following amounts during the period under examination.

<u>YEAR</u>	<u>DIVIDENDS PAID</u>
2019	\$1,074,519
2018	\$1,596,727
2017	\$ 71,745
2016	\$ 65,446
2015	\$ 68,365

## **EMPLOYEE AND AGENT WELFARE**

The Company did not have employees at December 31, 2019; therefore, it had no employee benefit plans. All functions of the Company were performed by employees of Protective Life Corporation and Protective Life Insurance Company via administrative services agreements. Further comment on these contracts is included in this report under the caption "Management and Service Agreements" on page 15.

## **COMPLIANCE WITH 18 U.S.C. § 1033 (ALA. ADMIN. CODE 482-1-146-.11 (2009))**

According to 482-1-146-.11 (2009), "(1) A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following: (a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense. (b) An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense. (c) An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period of employment or contracting." The Company requires background checks for each of its employees at their hire date and to complete an attestation annually regarding Section 1033. The Company was determined to be in compliance.

## SPECIAL DEPOSITS

At December 31, 2019, as required or permitted by law, the Company maintained the following deposits with the respective statutory authorities.

<u>States and Territories</u>	<u>Book Value</u>	<u>Fair Value</u>
Alabama	\$1,487,961	\$1,534,043
Arkansas	4,166,290	4,295,319
Georgia	99,197	102,270
Massachusetts	99,197	102,270
New Mexico	247,993	255,674
North Carolina	<u>398,722</u>	<u>406,744</u>
Total	<u>\$6,499,360</u>	<u>\$6,696,320</u>

## FINANCIAL CONDITION/GROWTH OF THE COMPANY

The following table sets forth the significant items indicating the growth and financial condition of the Company for the period under review:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital &amp; Surplus</u>	<u>Premiums Earned</u>
2019	\$5,998,821,965	\$5,653,331,003	\$345,490,962	\$1,339,176,818
2018	5,108,664,276	4,840,404,297	268,259,979	3,190,493,131
2017	2,076,543,564	1,920,641,610	155,901,955	248,725,388
2016	1,959,837,446	1,787,836,824	172,000,622	55,148,358
2015	2,007,267,437	1,834,071,976	173,555,461	47,504,326

## MARKET CONDUCT ACTIVITIES

### Plan of Operation

In July 2004, the Company made the business decision to stop writing business in Alabama opting to only sell and market its products in the state of New York. The Company's lines of business included life, disability, health and accident insurance and they issued annuities and endowments.

## **Territory**

As of December 31, 2019, the Company was licensed to transact business in the following states: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Mississippi, Missouri, Nebraska, Nevada, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah, Virginia and Washington.

The examiners determined that the Company only wrote business in the states where it was licensed and authorized.

## **Underwriting and Rating**

In July 2004, the Company made the business decision to cease writing business in Alabama opting to only sell and market its products in the state of New York. There were no policy form filings or underwriting guidelines for Alabama during the examination period.

## **Marketing and Advertising**

In 2004, the Company made the business decision to cease selling its products in Alabama, and to solely advertise, market and sell its products in the state of New York. As such, there were no advertising or marketing materials disseminated in Alabama nor was a certificate of compliance filed with the Alabama Department of Insurance during the examination period.

## **Claims Handling**

The examiners reviewed the Alabama paid and closed claims during the examination period. The Company had no resisted, denied or litigated Alabama claims during the examination period.

During the examination period, there were 65 Alabama paid and closed claims. These claims were reviewed for complete documentation and timeliness of payment in accordance with ALA. ADMIN. CODE 482-1-124-.03 (2003) and 482-1-124-.04 (2003), which stipulates the requirements for payment of life and accident and health claims. The examiners noted one claim that was paid in error without proper claims documentation in the file. According to ALA. ADMIN. CODE 482-1-124-.03 (b)1. (2003), "For life insurance and annuities: The file or files containing the notice of



claim, claim forms, proofs of loss, medical records, correspondence to and from insureds and claimants or their representatives, claim investigation documentation, claim handling logs, copies of checks or drafts, check numbers and amounts, releases, correspondence, all applicable notices, and correspondence used for determining and concluding claim payments or denials, any written communication, any documented or recorded telephone communication related to the handling of a claim, including the investigation, and any other documentation, maintained in a paper or electronic format, necessary to support claim handling activity.” To rectify this error, the Company reinstated the policy.

### **Producer Licensing**

There were no licensed and appointed producers in the state of Alabama at December 31, 2019, as the Company made a business decision on July 29, 2004 to terminate all of its Alabama producers and only write business in the state of New York.

### **Policyholder Complaints**

During the examination period, the Company documented one Alabama complaint in its complaint register. The remaining 61 complaints were filed in the following states: Arizona, California, Florida, Maryland, Michigan, Mississippi, Nevada, New Jersey, New York, Pennsylvania, Rhode Island, Tennessee, Texas, and Virginia.

The Company appropriately maintained the following information in its complaint register: line of business, function and reason for the complaint. The Company’s responses fully addressed the issues raised, and the complaints were appropriately resolved within the required timeframe. The Company recorded all complaints, both consumer direct and from the Department of Insurance. Based on the review of the Company’s complaint procedures, it was determined that the Company had a sufficient method for the distribution of and obtaining and recording responses to complaints.

### **Compliance with Privacy Policies and Practices**

The Company does not disclose any nonpublic personal financial or health information to nonaffiliated third parties unless they have permission, or are allowed or required by law. The Company’s Privacy Notice disclosed the types of information collected, the way the information is used, the manner in which information is collected and how the information is protected. The Company had appropriate policies and procedures in place for the protection against the disclosure of member

nonpublic personal medical information. The Company had adequate controls in place for the employees that handled personal information. The Company complied with the privacy requirements of ALA. ADMIN. CODE 482-1-122 (2001).

## **REINSURANCE**

The Company assumed and ceded reinsurance under a number of agreements at December 31, 2019. The examination of various contracts was limited to those contracts that were material and were executed during the examination period.

### **Reinsurance Assumed**

The Company entered into two material assumption contracts with Lincoln Life Assurance Company of Boston and Great-West Life & Annuity Insurance Company of New York during the examination period.

#### **Lincoln Life Assurance Company of Boston**

On May 1, 2018, The Lincoln National Life Insurance Company (“Lincoln Life”) completed its previously announced acquisition (the “Closing”) of Liberty Mutual Group Inc.’s (“Liberty Mutual”) Group Benefits Business and Individual Life and Annuity Business (the “Life Business”) through the acquisition of all of the issued and outstanding capital stock of Liberty Life Assurance Company of Boston (“Liberty”). As of May 1, 2018, PLAIC entered into a reinsurance agreement with Liberty Life Assurance Company of Boston. Pursuant to the Reinsurance Agreement, Liberty ceded to PLAIC the insurance policies related to the Life Business on a 100% coinsurance basis for all policies issued in the state of New York. As of December 31, 2019, this accounts for approximately \$2,567,000,000 of assumed reserves, \$12,000,000 of Modified Coinsurance reserves and approximately \$91,000,000 of assumed premiums.

#### **Great-West Life & Annuity Insurance Company of New York**

On January 23, 2019, PLAIC entered into a Master Transaction Agreement with Great-West Life & Annuity Insurance Company of New York, pursuant to which PLAIC acquired via substantially all of the Great-West’s individual and group life and A&H insurance and annuity business, except for the Separate Account business, which was assumed via a Modified Coinsurance (“MODCO”) agreement. On June 3, 2019, PLAIC completed the Transaction. As of December 31, 2019, this accounts for approximately \$646,000,000 of assumed reserves, \$263,000,000 of Modified Coinsurance reserves and approximately \$900,000,000 of assumed premiums.

## **Reinsurance Ceded**

The Company did not enter into any material or significant reinsurance ceded agreements during the examination period. As reflected in Schedule S- Part 3, the amounts ceded were as follows:

- Reserve credit taken – Current year of \$186,573,559 and Modified coinsurance reserves - \$186,467,220.
- Unearned premiums accident and health of \$1,248 and Reserve credit taken other than for unearned premiums of \$291,499.

## **ACCOUNTS AND RECORDS**

The Company's principal accounting records were maintained by computer. Management and record-keeping functions were performed by personnel and facilities of the Protective Life Corporation (PLC) and Protective Life Insurance Company (PLIC) under various management and service agreements. Further discussion of the aforesaid agreements is included under the caption "Management and Service Agreements" on page 15.

## FINANCIAL STATEMENT INDEX

The financial statements included in this report were based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2019. The accompanying comments on the financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

	<u>Page</u>
Statement of Assets.....	33
Statement of Liabilities, Surplus and Other Funds .....	34
Summary of Operations .....	35
Capital and Surplus Account.....	36

**PROTECTIVE LIFE AND ANNUITY INSURANCE COMPANY**  
**STATEMENT OF ASSETS**  
**For the Year Ended December 31, 2019**

<b>ASSETS</b>	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$5,395,862,098	\$ -	\$5,395,862,098
Preferred stocks	21,301,265		21,301,265
Common stocks	590		590
Mortgage loans on real estate: First liens	96,994,166		96,994,166
Cash, cash equivalents, and short-term investments	136,168,423		136,168,423
Contract loans	55,217,388	90,171	55,127,217
Derivatives	7,422,563		7,422,563
Other invested assets	18,295,697		18,295,697
Receivables for securities	71,345		71,345
Aggregate write-ins for invested assets	<u>1,191,032</u>	<u>-</u>	<u>1,191,032</u>
Subtotals, cash and invested assets	<u>\$5,732,524,568</u>	<u>\$ 90,171</u>	<u>\$5,732,434,397</u>
Investment income due and accrued	53,144,395		53,144,395
Uncollected premiums and agents' balances in the course of collection	-2,274,029	\$ 69,448	\$ -2,343,477
Deferred premiums and agents' balances and installments booked but deferred and not yet due	5,712,522		5,712,522
Amounts recoverable from reinsurers	4,742,676		4,742,676
Other amounts receivable under reinsurance contracts	1,876,355	21	1,876,334
Current federal and foreign income tax recoverable and interest thereon	4,135,359		4,135,359
Net deferred tax asset	66,368,599	48,341,573	18,027,026
Guaranty funds receivable or on deposit	2,511		2,511
Health care and other amounts receivable	275,048	275,048	
Aggregate write-ins for other than invested assets	<u>1,063,895</u>	<u>45,222</u>	<u>1,018,673</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	5,867,571,900	48,821,484	5,818,750,416
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>180,071,549</u>	<u>-</u>	<u>180,071,549</u>
Total	<u>\$6,047,643,449</u>	<u>\$48,821,484</u>	<u>\$5,998,821,965</u>

**THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.  
 PROTECTIVE LIFE AND ANNUITY INSURANCE COMPANY  
 STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS  
 For the Year Ended December 31, 2019**

**LIABILITIES**

Aggregate reserve for life contracts	\$5,319,757,674
Aggregate reserve for accident and health contracts	2,384,552
Liability for deposit-type contracts	26,834,542
Contract claims:	
Life	20,270,686
Accident and health	11,128
Policyholders' dividends/refunds to members	11,648
Policyholders' dividends and refunds to members apportioned for payment	948,425
Premiums and annuity considerations for life and accident and health contracts received in advance less accident and health premiums	172,853
Contract claims not included elsewhere:	
Other amounts payable on reinsurance	1,529,281
Interest maintenance reserve	51,498,447
Commissions to agents due or accrued	754,136
Commissions and expense allowance payable on reinsurance assumed	-101,975
General expenses due or accrued	103,156
Transfers to Separate Accounts due or accrued	-7,409,660
Taxes, licenses and fees due or accrued	309,701
Unearned investment income	787,333
Amounts withheld or retained by reporting entity as agent or trustee	2,962,145
Remittances and items not allocated	11,873,007
Miscellaneous liabilities:	
Asset valuation reserve	24,318,162
Reinsurance in unauthorized and certified companies	6,219
Payable to parent, subsidiaries and affiliates	9,367,403
Derivatives	4,870,010
Aggregate write-ins for liabilities	<u>2,000,582</u>
Total liabilities excluding Separate Accounts business	\$5,473,259,454
From Separate Accounts Statements	<u>180,071,549</u>
Total liabilities	<u>\$5,653,331,003</u>

**CAPITAL AND SURPLUS**

Common capital stock	2,500,000
Preferred capital stock	2,000
Gross paid in and contributed surplus	429,568,862
Unassigned funds (surplus)	-86,579,901
Surplus	<u>342,988,962</u>
Total Capital and Surplus	<u>\$ 345,490,962</u>

<b>TOTAL LIABILITIES, CAPITAL AND SURPLUS</b>	<u>\$5,998,821,965</u>
---	------------------------

**THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.**

**PROTECTIVE LIFE AND ANNUITY INSURANCE COMPANY**  
**SUMMARY OF OPERATIONS**  
**For the Years Ended December 31, 2019, 2018, 2017, 2016 and 2015**

	2019	2018	2017	2016	2015
Premiums and annuity considerations of life and accident and health contracts	\$1,339,176,818	\$3,190,493,131	\$248,725,388	\$55,148,358	\$47,504,326
Considerations for supplementary contracts with life contingencies	901,138	1,848,952	810,334	1,571,749	1,033,142
Net investment income	217,920,180	159,596,727	83,739,194	85,743,833	89,422,396
Amortization of Interest Maintenance Reserve	4,138,440	3,135,591	2,519,623	2,950,854	2,592,694
Separate Accounts net gain from operations excluding unrealized gains or losses	302,645	-291,772	642,954	990,264	-734,613
Commissions and expense allowances on reinsurance ceded	3,064,246	3,178,674	3,056,775	3,049,096	3,276,582
Reserve adjustments on reinsurance ceded	-17,689,901	-19,050,788	-18,144,222	-16,189,663	-19,755,709
Miscellaneous income:					
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	4,757,078	5,149,437	5,290,411	5,346,888	5,487,563
Aggregate write-ins for miscellaneous income	<u>3,175,571</u>	<u>731,900</u>	<u>760,563</u>	<u>702,489</u>	<u>775,638</u>
<b>Total</b>	<b><u>\$1,555,746,215</u></b>	<b><u>\$3,344,791,852</u></b>	<b><u>\$327,401,019</u></b>	<b><u>\$139,313,869</u></b>	<b><u>\$129,602,020</u></b>
Death benefits	97,233,260	71,343,591	14,497,038	12,761,508	12,458,344
Matured endowments	92,930	89,408	43,479	30,383	24,318
Annuity benefits	21,995,271	20,798,997	16,580,266	17,862,849	24,254,615
Disability benefits and benefits under accident and health contracts	725,576	742,269	691,382	797,758	889,870
Coupons, guaranteed annual pure endowments and similar benefits	31,772	19,487	6,435	4,958	5,063
Surrender benefits and withdrawals for life contracts	345,133,986	263,648,353	120,220,873	97,360,985	107,066,203
Interest and adjustments on contract or deposit-type contract funds	2,772,515	2,004,642	406,213	366,771	316,190
Payments on supplementary contracts with life contingencies	1,121,852	851,307	1,003,128	708,320	538,439
Increase in aggregate reserves for life and accident and health contracts	<u>769,250,450</u>	<u>2,898,685,604</u>	<u>131,028,635</u>	<u>-40,701,952</u>	<u>-72,661,064</u>
<b>Totals</b>	<b><u>\$1,238,357,613</u></b>	<b><u>\$3,258,183,657</u></b>	<b><u>\$284,477,449</u></b>	<b><u>\$89,191,581</u></b>	<b><u>\$72,891,978</u></b>
Commissions on premiums, annuity considerations, and deposit-type contract funds	13,463,974	13,535,061	9,078,982	3,924,975	4,313,070
Commissions and expense allowances on reinsurance assumed	16,167,004	140,559,162	14,238	10,551	15,979
General insurance expenses and fraternal expenses	24,253,909	19,187,844	12,092,212	7,638,968	7,152,311
Insurance taxes, licenses and fees, excluding federal income taxes	3,977,789	3,177,037	625,525	1,208,631	1,357,579
Increase in loading on deferred and uncollected premiums	-208,277	96,989	-2,216	-12,348	83,674
Net transfers to or (from) Separate Accounts net of reinsurance	-20,448,638	-17,335,549	-15,267,737	-11,306,919	-2,669,873
Aggregate write-ins for deductions	<u>238,544,408</u>	<u>1,694</u>	<u>3,813</u>	<u>15,341</u>	<u>124,609</u>
<b>Totals</b>	<b><u>\$1,514,107,782</u></b>	<b><u>\$3,417,405,896</u></b>	<b><u>\$291,022,265</u></b>	<b><u>\$90,670,779</u></b>	<b><u>\$83,269,326</u></b>
Net gain from operations before dividends to policyholders, refunds to members and federal income taxes	41,638,433	-72,614,044	36,378,754	48,643,089	46,332,694
Dividends to policyholders and refunds to members	<u>1,074,519</u>	<u>1,596,727</u>	<u>71,745</u>	<u>65,446</u>	<u>68,365</u>
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	40,563,914	-74,210,771	36,307,009	48,577,644	46,264,329
Federal and foreign income taxes incurred	<u>14,902,172</u>	<u>43,464,248</u>	<u>9,911,010</u>	<u>13,892,233</u>	<u>12,396,912</u>
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	<u>25,661,742</u>	<u>-117,675,019</u>	<u>26,395,999</u>	<u>34,685,411</u>	<u>33,867,417</u>
Net realized capital gains (losses) less capital gains tax	<u>-1,252,272</u>	<u>-1,029,290</u>	<u>-3,107,057</u>	<u>-4,909</u>	<u>-7,189,682</u>
Net income	<b><u>\$ 24,409,471</u></b>	<b><u>\$ -118,704,309</u></b>	<b><u>\$ 23,288,942</u></b>	<b><u>\$34,680,502</u></b>	<b><u>\$26,677,735</u></b>

**THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.**

**Protective Life and Annuity Insurance Company**  
**Capital and Surplus**  
**For the Years Ended December 31, 2019, 2018, 2017, 2016 and 2015**

	2019	2018	2017	2016	2015
<b>Capital and surplus, December 31, prior year</b>	<u>\$268,259,979</u>	<u>\$155,901,955</u>	<u>\$172,000,622</u>	<u>\$173,555,461</u>	<u>\$183,441,442</u>
Net income (loss)	24,409,471	-118,704,309	23,288,942	34,680,502	26,677,735
Change in net unrealized capital gains (losses) less capital gains tax	-629,804	307,814	-328,148	97,826	12,950
Change in net deferred income tax	4,062,867	56,099,439	-5,361,309	-2,164,176	419,154
Change in nonadmitted assets	1,154,683	-47,127,007	3,021,195	2,025,145	-549,809
Change in liability for reinsurance in unauthorized and certified companies	-6,219	-	-	1,871	3,277
Change in asset valuation reserve	-6,428,894	-5,021,990	-1,665,567	3,801,296	4,996,670
Surplus (contributed to) withdrawn from Separate Accounts during period	302,645	-291,772	642,954	990,264	-734,613
Other changes in surplus in Separate Accounts Statement	-302,645	291,772	642,954	-990,264	734,613
Surplus adjustment:					
Paid in	55,000,000	225,000,000	-	-	-41,000,000
Change in surplus as a result of reinsurance	-331,121	-341,592	-361,361	-394,710	-445,958
Dividends to stockholders	-	-	-34,600,000	-32,000,000	-
Aggregate write-ins for gains and losses in surplus	-	2,145,671	-92,420	-	-
<b>Net change in capital and surplus for the year</b>	<u>\$ 77,230,982</u>	<u>\$112,358,025</u>	<u>\$ -16,098,667</u>	<u>\$ -1,554,839</u>	<u>\$ -9,885,981</u>
<b>Capital and surplus</b>	<u>\$345,490,962</u>	<u>\$268,259,979</u>	<u>\$155,901,955</u>	<u>\$172,000,622</u>	<u>\$173,555,461</u>

**THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.**



## NOTES TO FINANCIAL STATEMENTS

### Adjustments to Surplus

No adjustment was made to surplus as a result of the examination.

### CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included an inspection of the representations made by management and its general counsel; and a general review of the Company's records and files conducted during the examination, including a review of claims. These reviews did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

### COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the current examination with regard to the Company's compliance with the recommendations made in the previous examination report. This review indicated that the Company had satisfactorily complied with the prior recommendations with the exception of the following:

Conflict of Interest: In the prior examination report, it was recommended that the Company maintain all conflict of interest certifications required by its Code of Business Conduct and its Supplemental Conflict of Interest Policy. There was one conflict of interest certification not provided for one officer during the examination period.

### SUBSEQUENT EVENTS

A review of events subsequent to the examination date was conducted. During this review, the following elections and resignations of officers were noted:

#### Elections

- John Cathey- Vice President, Mortgage Loan Producer (February 19, 2020);
- Steve Clikas- Vice President, Mortgage Loans (February 19, 2020);
- Troy Gambрил- Vice President, Servicing Mortgage Loans (February 19, 2020);
- James Shuford- Vice President, Investments (February 19, 2020);

- Doyle Williams- Senior Vice President, Distribution Companies (July 6, 2020);
- James McGough- 2<sup>nd</sup> Vice President, National Account Manager (July 27, 2020);
- Bill Von Peters- 2<sup>nd</sup> Vice President and Actuary (July 6, 2020);
- Andrea Cole- Assistant Vice President, Shared Services (June 29, 2020);
- Benjamin Podbielski- Assistant Vice President, Enterprise Application Architect (July 1, 2020);
- Boris Shoykhet- Assistant Vice President, Competitive Intel (July 27, 2020); and,
- Laura Skrzypinski- Assistant Vice President, New Business Operations (July 1, 2020).

#### Resignations

- Richard Hotham- Vice President, Divisional Sales Manager (July 1, 2020);
- Brett Carmichael- 2<sup>nd</sup> Vice President, National Account Manager (June 16, 2020); and,
- Elizabeth Nieland- 2<sup>nd</sup> Vice President Operations (July 21, 2020).

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination's review of the Company noted that there has not been a significant impact to the Company. The Alabama Department of Insurance has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial. The Alabama Department of Insurance continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

## **COMMENTS AND RECOMMENDATIONS**

### **Conflict of Interest** – Page 14

**It is again recommended** that the Company maintain all conflict of interest certifications required by its Code of Business Conduct and its Supplemental Conflict of Interest Policy.