REPORT OF EXAMINATION

OF

PROTECTIVE LIFE AND ANNUITY INSURANCE COMPANY
BIRMINGHAM, ALABAMA

AS OF
DECEMBER 31, 2014

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EXAMINER'S AFFIDAVIT

STATE OF ALABAMA
COUNTY OF JEFFERSON

Rhonda B Ball, CFE, 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
Examiner-in-Charge

Subscribed and sworn before me by Rhonda Ball on this 22nd day of April, 2016.

(SEAL)

LORI W. NELSON NOTARY PUBLIC ALABAMA STATE AT LARGE

Lori W. Nelson
(Signature of Notary Public)

My commission expires April 5, 2020.

ROBERT BENTLEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

STATE OF ALABAMA
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DEPUTY COMMISSIONER
CHARLES M. ANGELL

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
EDWARD S. PAULK

GENERAL COUNSEL
REYN NORMAN

April 22, 2016

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

Dear Commissioner Ridling:

Pursuant to your authorizations and in compliance with statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and financial condition of

Protective Life and Annuity Insurance Company
Birmingham, Alabama

at its home office located at 2801 Highway 280 South, Birmingham, Alabama 35223, as of December 31, 2014. 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. The last examination covered the period of January 1, 2009 through December 31, 2009. This examination covers the period of January 1, 2010 through December 31, 2014.

The examination was conducted 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 planning, the examiners from the four states reviewed all accounts and balances, 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 2009 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 2014 were reviewed.

The examination was also 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 is identified, the impact of such adjustment will be documented separately following the financial statements.

The Company's 2010 through 2014 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 22 for further discussion of the 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.

PricewaterhouseCoopers, LLP was the certified public accountants (CPAs) for all four companies for all years under examination. The examiners reviewed the CPAs' workpapers for all years, copies of which were incorporated into the examination as deemed appropriate.

A signed certificate of representation for PLAIC 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, 2014.

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

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 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 2014 Annual Statement unassigned funds of ($9,629,420). The Company's total reported surplus as of December 31, 2014 was $180,939,442.

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 and the ultimate parent company.

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 30, 2014, the sole shareholder elected the Company's Board of Directors. The members serving as of December 31, 2014 were as follows:

Directors/Residence	Principal Occupation
Wayne Edmund Stuenkel Birmingham, Alabama	President and Chief Actuary Protective Life Corporation
John Dixon Johns Birmingham, Alabama	Chairman of the Board Protective Life Corporation
Richard Joseph Bielen Birmingham, Alabama	Vice Chairman and Chief Financial Officer Protective Life Corporation

Officers

On June 30, 2014, the Board of Directors elected the Company's Officers. The officers serving as of December 31, 2014 were:

Name	Title
John D. Johns	Chairman of the Board
Wayne E. Stuenkel	President and Chief Actuary
Richard J. Bielen	Vice Chairman and Chief Financial Officer
Deborah J. Long	Executive VP/Secretary/General Counsel

Michael Temple	Executive VP/Chief Risk Officer
Carl S. Thigpen	Executive VP/Chief Investment Officer
Robert R. Bedwell	Senior VP/ Mortgage Loans
Lance P. Black	Senior VP/Treasurer
Barry B. Stokes	Senior VP
Mark Cyphert	Senior VP/Chief Information Officer/Operations Officer
Stephane Goyer	Senior VP/Head of Insurance Risk
M. Scott Karchunas	Senior VP/Asset Protection Division
Nancy Kane Curreri	Senior VP/Acquisitions and Corporate Development
Philip E. Passafiume	Senior VP/Director of Fixed Income
John R. Sawyer	Senior VP/Chief Distribution Officer
Frank Sottosanti	Senior VP/Chief Marketing Officer
Steven G. Walker	Senior VP/Controller and Chief Accounting Officer
David M. Loper	Senior VP/Senior Associate Counsel
M. Lee Barlett	VP/Corporate Accounting
Michael G. Bell	VP/ Reinsurance Administration
Kevin B. Borie	VP/Chief Valuation Actuary
Barry K. Brown	VP/ Licensing, Contracting and Commissions
Edwin V. Caldwell, II	VP/ New Business Operations
Ross C. Eriksson	VP/Associate Actuary
Charles D. Evers, Jr.	VP /Corporate Accounting
R. C. Fruechtenicht	Senior Associate Counsel, Investments
Stephen C. Heacock	VP/ Corporate Accounting
Bruce W. Heen	VP/Division Controller
David J. Keeley	VP/Acquisition Administration
Stephen J. Mac Donald	VP/Chief Underwriter
Anil S. Manji	VP/Senior Actuary Risk
Alice Lowry	VP/ Tax
Lori Oswald	VP/ Corporate Accounting
Jason C. Otts	VP/Chief Project Officer
Daniel Perrin	VP/ BD Life Sales/National Sales Manager
Teresa L. Schultz	VP /Marketing

David Sheridan	VP/ National Sales Manager BGA Sales
Mary H. Simmons	VP/Associate Actuary
Barrie Baizli Stokes	Senior Asst. Counsel
Katherine H. Tierney	VP, LAD New Business Operations
Jim Wagner	VP Internal Sales
Charles Windham	VP Investments
Karen L. Brown	2nd VP/Program Manager
Patricia Cobb	2nd VP Cash Management
Yolaine Cousar	2nd VP Reporting BPI Leader
Antonio Chiuchiolo	2nd VP/Divisional Sales Manager
Leonard C. Cutchen	2nd VP, Actuarial
Jeffrey B. Halwes	2nd VP Reinsurance
Keith D. Kirkley	2nd VP, LAD Compliance/Compliance Officer Illustration
Letitia Morsch	2nd VP, Annuity and VUL Administration
Clifton Neal	2nd VP Reinsurance Administration
A.Craig Phillips	2nd VP Corporate Accounting
Carol A. Smith	2nd VP Underwriting Channel Leader
Marc E. Cavadel	Asst. VP Senior Contract Analyst
Willie J. DeVold	Asst. VP New Business Operations
Wendy E. Floyd	Asst. VP, LAD New Business Administration
Diane S. Griswold	Asst. VP, Investments
Debra W. Lawson	Asst. VP Insurance Administration
Cynthia K. McGill	Asst. VP, Annuity and VUL Administration
Leslie D. Self	Asst. VP Decision Support Systems
Deborah D. Terrell	Asst. VP, Customer Service
Patrick J. West	Asst. VP, Sr. Manager Insurance Administration
Timothy Searcy	Primary Intelligence/Information Officer NYDOI
Kevin Sullivan	Secondary Intelligence/Information Officer NYDOI
Francis Radnoti	Designated Illustration Actuary
Holly Brown	Assistant Secretary
Susan B. Sanders	Assistant Secretary

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...."

On June 30, 2014, the Board of Directors appointed the following members to serve as the Executive Committee.

John Dixon Johns
Richard Joseph Bielen

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 2010, the Company did not provide a conflict of interest certification for an officer. Conflict of interest certifications were provided for this officer for the remaining years under examination 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 during the examination period. The Company's Bylaws were amended and restated in 2011.

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:

2014	$44,500,000
2013	$39,800,000
2012	$ 0
2011	$ 4,400,000
2010	$13,000,000

Management and Service Agreements

The Company had various management and service agreements in effect with affiliated companies at December 31, 2014. The following agreements were approved by the Alabama Department of Insurance and were in effect at year-end 2014:

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

This agreement was entered into on November 3, 2005, 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, 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 PLICO at cost for services and facilities provided by PLICO. The charge to the Company for such services shall include all direct and indirect allocable expenses. PLICO 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.

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 common stock portfolio at the end of the preceding quarter
Real Estate	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

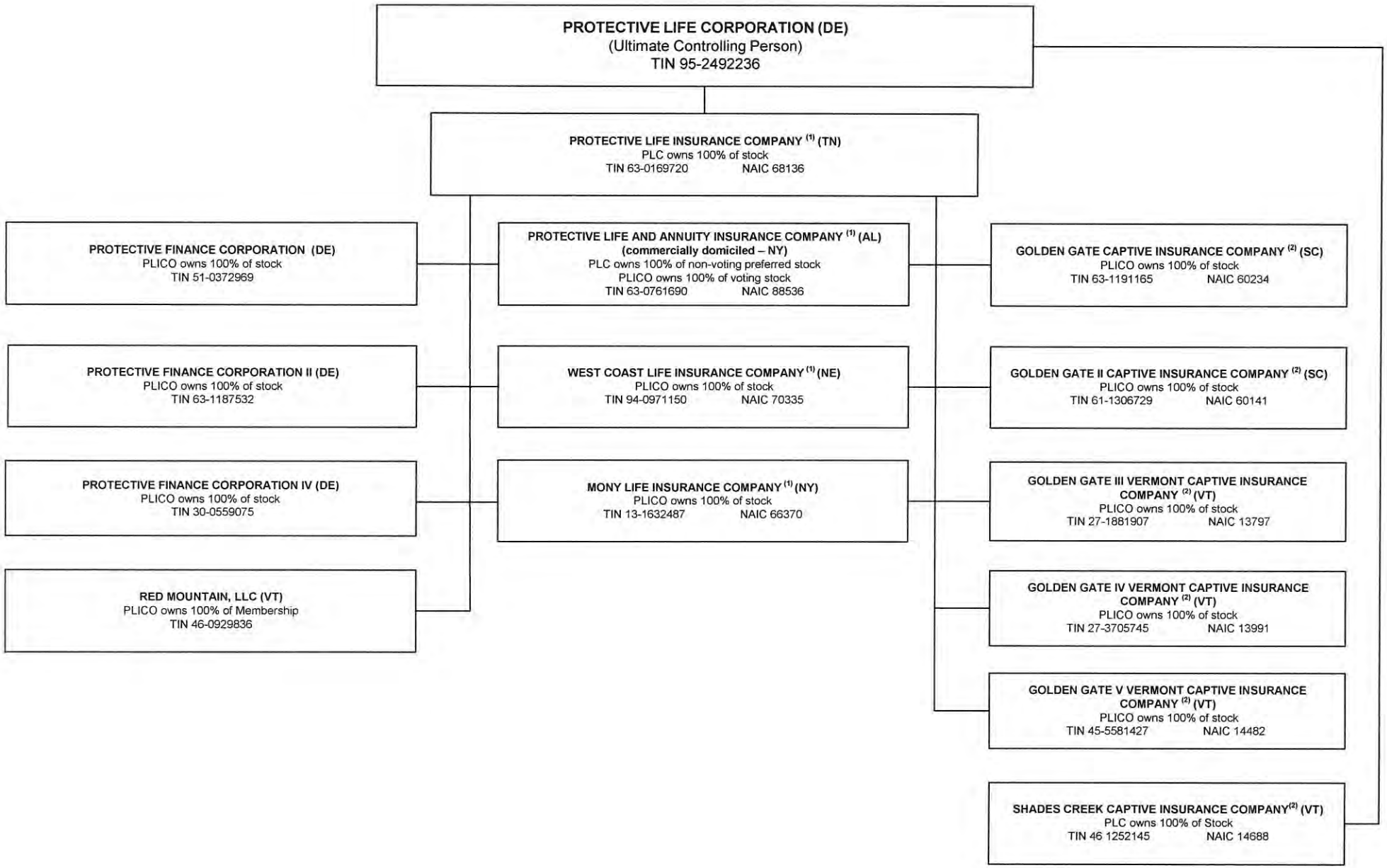
Guarantor. Even after any revocation or termination by such notice, this guaranty shall be and remain effective as to any policies then outstanding. The agreement was amended on April 4, 1998, to include the following:

> "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, 2014.

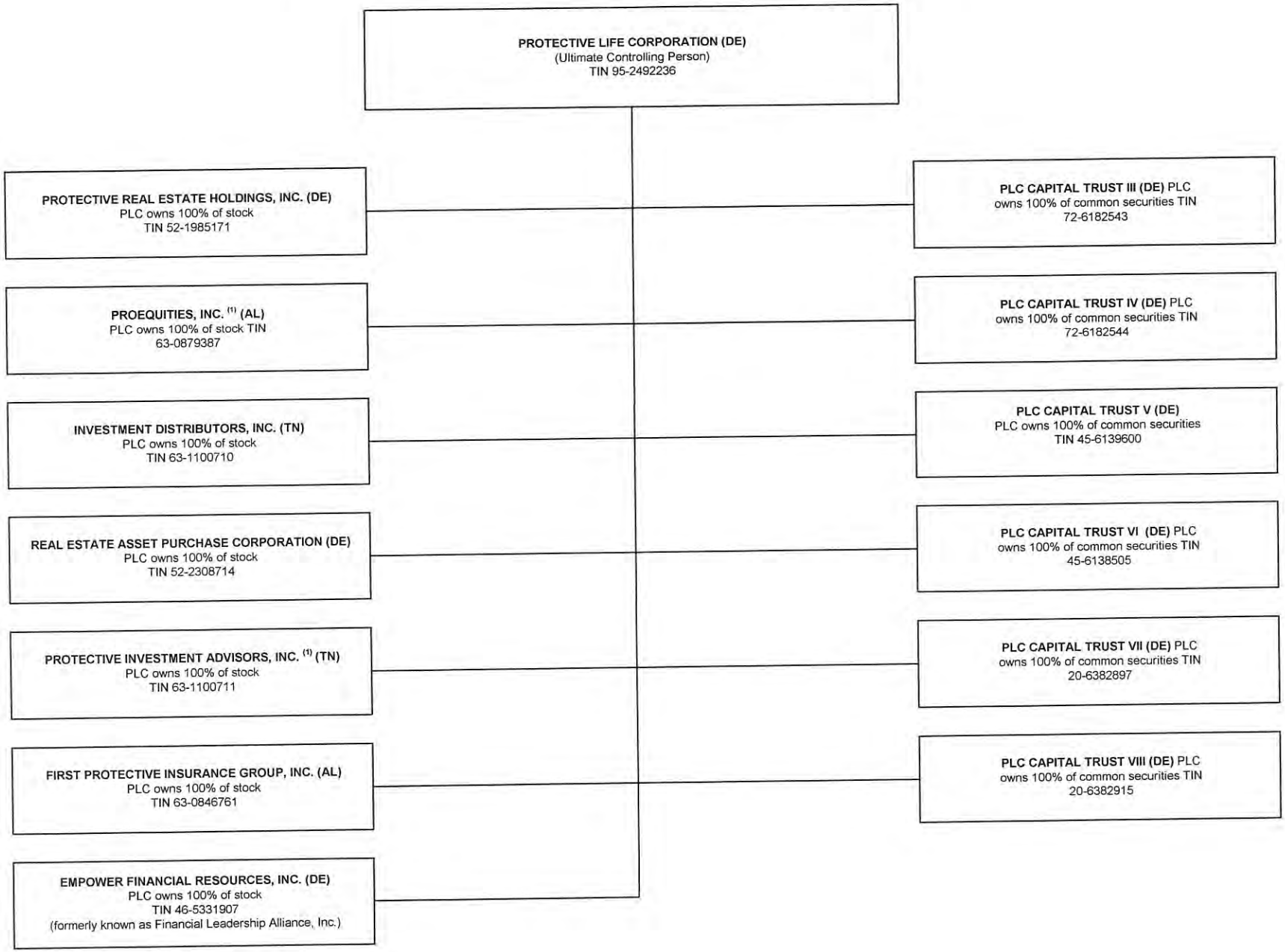
Protective Life Corporation (PLC) Organizational Chart
as of December 31, 2014*
Life Insurance Company (PLICO) Subsidiaries



(1) *an insurance company*
(2) *a captive insurance company*

*Chart does not reflect less than 50% ownership interests.

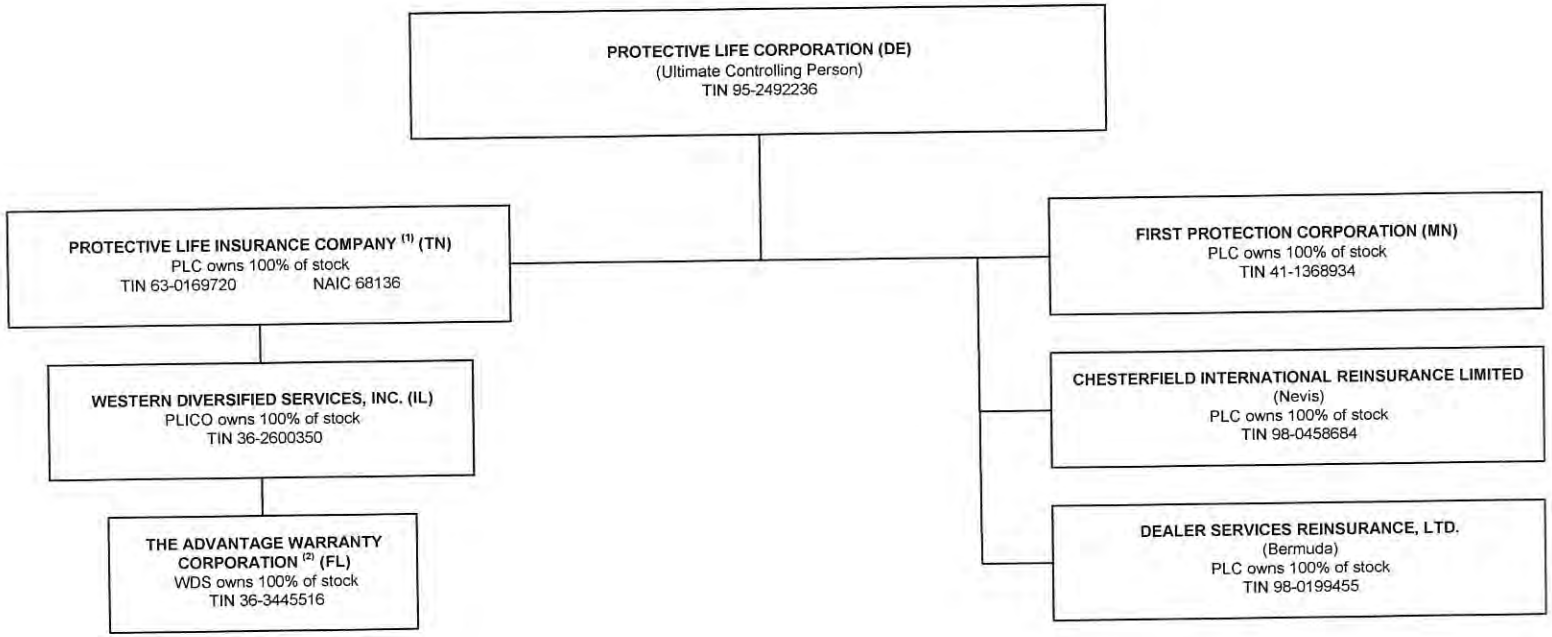
Protective Life Corporation (PLC) Organizational Chart
as of December 31, 2014*
PLC Non-Insurance Companies (excluding Asset Protection Division)



(1) *a registered investment adviser*

*Chart does not reflect less than 50% ownership interests.

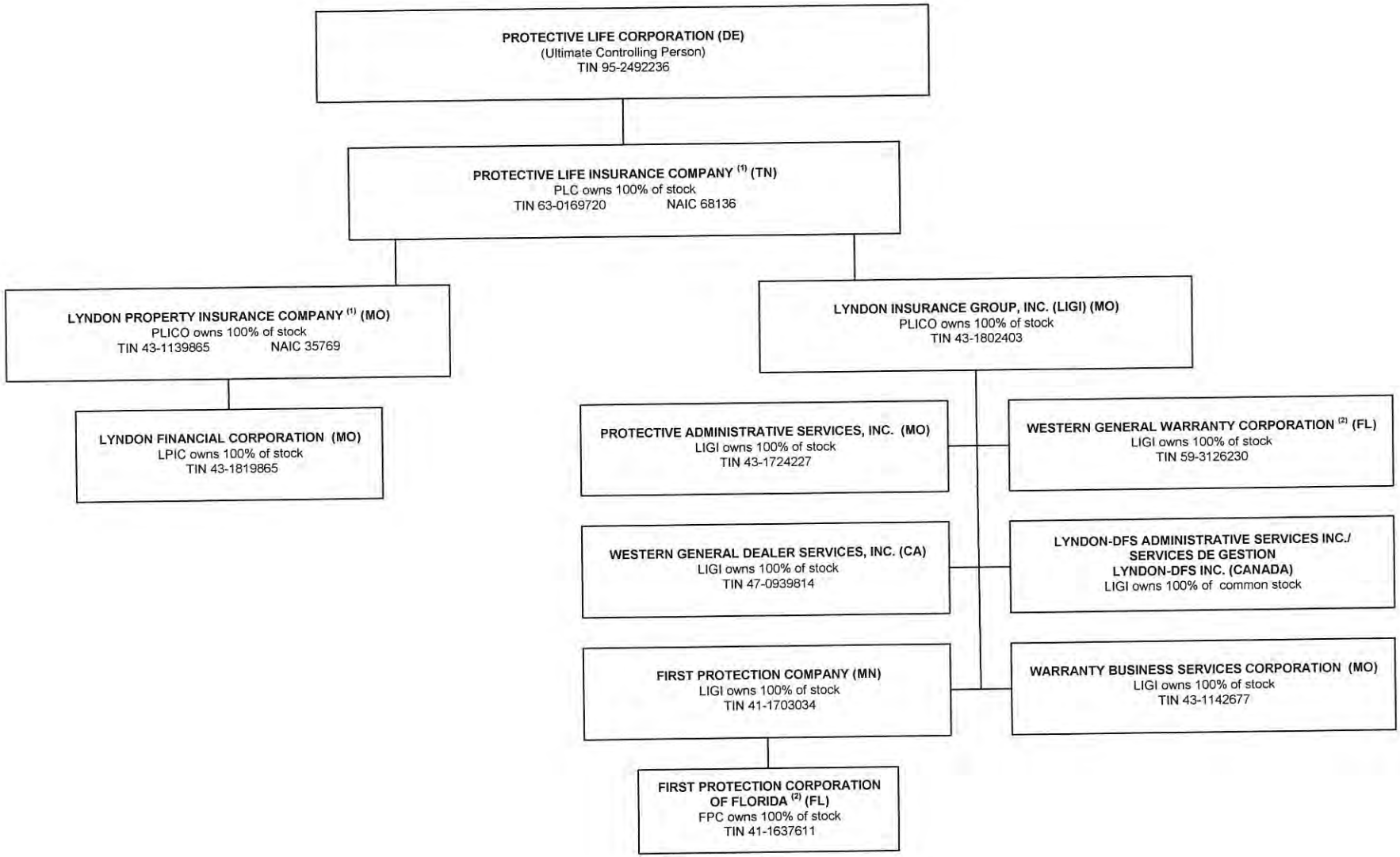
Protective Life Corporation (PLC) Organizational Chart
as of December 31, 2014*
Asset Protection Division



(1) *an insurance company*
(2) *a specialty insurer*

*Chart does not reflect less than 50% ownership interests.

Protective Life Corporation (PLC) Organizational Chart
as of December 31, 2014*
Asset Protection Division (Lyndon Insurance Group, Inc. affiliates)



(1) *an insurance company*
(2) *a specialty insurer*

*Chart does not reflect less than 50% ownership interests.

DIVIDENDS TO POLICYHOLDERS

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

YEAR	DIVIDENDS PAID
2010	$ 86,950
2011	$ 83,949
2012	$ 79,826
2013	$ 75,748
2014	$ 73,475

EMPLOYEE AND AGENT WELFARE

The Company did not have any employees at December 31, 2014; therefore, it had no employee benefit plans. All functions of the Company were performed by employees of Protective Life Corporation, Protective Life Insurance Company and West Coast 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 12.

SPECIAL DEPOSITS

At December 31, 2014, as required or permitted by law, the Company maintained the following deposits with the respective statutory authorities.

States and Territories	Book Value	Fair Value
Alabama	$1,499,798	$1,499,648
Arkansas	4,226,759	4,200,983
Georgia	99,011	99,906
Massachusetts	100,637	100,023
New Mexico	249,966	249,941
North Carolina	402,138	401,002
TOTAL	**$6,578,309**	**$6,551,503**

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:

Year	Admitted Assets	Liabilities	Capital & Surplus	Premiums Earned
2014	$ 2,093,743,896	$ 1,910,302,454	$183,441,442	$ 48,952,280
2013	2,162,685,642	1,969,061,530	193,624,112	156,576,485
2012	2,133,905,047	1,927,555,853	206,349,194	290,145,946
2011	1,938,327,456	1,757,791,451	180,536,005	266,966,341
2010	1,067,998,022	985,806,135	82,191,887	194,612,952

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, 2014, 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 form filings or underwriting guidelines for Alabama during the examination period.

Marketing and Advertisement

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 ALDOI 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.

The Alabama paid and closed claims were reviewed for complete documentation and timeliness of payment in accordance with ALA. ADMIN. CODE 482-1-124 (2003), which stipulates the requirements for payment of life and accident and health claims. There were no exceptions noted.

Producer Licensing

There were no licensed and appointed agents in the state of Alabama at December 31, 2009, as the Company made a business decision on July 29, 2004, to terminate all of its Alabama agents and only write business in the state of New York.

Policyholder Complaints

During the examination period, the Company documented two Alabama complaints in its complaint register. The remaining 92 complaints were filed in the following states: Arkansas, California, Washington, D.C., Florida, Georgia, Kansas, Louisiana, Missouri, Nebraska, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and Wyoming.

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, 2014. The examination of various contracts was limited to those contracts that were material and executed during the examination period.

Reinsurance Assumed

The Company did not assume any new business during the examination period. It assumed life and accident and health business from six insurance companies at December 31, 2014. As reflected in Schedule S of the 2014 Annual Statement, the Company assumed:

- Life reserves of $362,914,123 and paid and unpaid losses of $3,089,892 relating to life contracts; and
- Unearned premiums of $26,480 additional reserves of $669,491 and paid and unpaid losses of $2,389 relating to the accident and health contracts.

Reinsurance Ceded

The Company did not enter into any material or significant reinsurance ceded agreements during the examination period (2010-2014). As reflected in Schedule S – Part 3 the amounts ceded were as follows:

- Reserve credit taken – Current year of $215,930,281; Modified coinsurance reserves - $ 228,271,269; and Funds withheld under coinsurance - $749,344.

- Unearned premiums accident and health of $28,685; Reserve credit taken other than for unearned premiums of $380,026; funds withheld under coinsurance accident and health of $26,569.

On October 1, 2011, an agreement between the Company and Scottish Re (U.S.) Inc., was novated to Hannover Life Reassurance Company of America.

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), Protective Life Insurance Company (PLICO) and West Coast Life Insurance Company (WCL) under various management and service agreements. Further discussion of the aforesaid agreements is included under the caption "**Management and Service Agreements**" on page 12.

Company management indicated that certain reports were prepared and distributed to members of management on a monthly and quarterly basis. E-mails are sent notifying management the reports are available for review. These email notifications served as the internal control ensuring the monthly and quarterly reports were approved and distributed to the appropriate members of management. A sample of e-mail notifications within 2014 were selected for review. However, these e-mail notifications could not be provided. Company management indicated e-mail notifications were maintained for 180 days, anything older was automatically deleted. Not maintaining this documentation was not in accordance with ALA. ADMIN. 482-1-118-.03, which states

> Every insurer, which term shall include every domestic insurer, foreign insurer, health care services corporation, health maintenance organization, prepaid dental plan, managing general agent or any other legal entity regulated by the Insurance Code and licensed to do business in this state shall maintain its books, records, documents and other business records in order that the insurer's financial condition may be readily ascertained by the Department of Insurance, taking into consideration other record retention requirements. All records must be maintained for not less than five (5) years.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State Department of Insurance and present the financial condition of the Company for the period ending December 31, 2014. The accompanying comments on the financial statements reflect any examination adjustments to the amount reported in the annual statement and should be considered an integral part of the financial statements.

	Page
Statement of Assets	27
Statement of Liabilities, Surplus and Other Funds	28
Summary of Operations	29
Capital and Surplus Account	30

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

PROTECTIVE LIFE AND ANNUITY INSURANCE COMPANY
STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
For the Year Ended December 31, 2014

	Assets	Nonadmitted Assets	Net Admitted Assets
ASSETS			
Bonds	$ 1,656,960,858	$ -	$ 1,656,960,858
Preferred Stocks	29,059,839	-	29,059,839
Mortgage loans on real estate: First liens	95,123,844	-	95,123,844
Cash, cash equivalents, and short-term investments	12,460,770	-	12,460,770
Contract loans	36,854,271	72,066	36,782,205
Receivable for securities	290	-	290
Subtotals, cash and invested assets	$ 1,830,459,872	$ 72,066	$ 1,830,387,806
Investment income due and accrued	$ 21,284,271	$ -	$ 21,284,271
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	(2,797,984)	12,137	(2,810,121)
Deferred premiums and agents' balances and installments booked but deferred and not yet due	1,882,419	-	1,882,419
Amounts recoverable from reinsurers	2,145,799	-	2,145,799
Other amounts receivable under reinsurance contracts	157,363	79	157,284
Net deferred tax assets	12,841,602	6,268,005	6,573,597
Guaranty funds receivable or on deposit	504,020	-	504,020
Receivable from parent, subsidiaries and affiliates	20,000	-	20,000
Healthcare and other amounts receivable	95,383	95,383	-
Aggregate write-ins for other than invested assets	299,658	-	299,658
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	1,866,892,403	6,447,670	1,860,444,733
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	233,299,163	-	233,299,163
Total	$ 2,100,191,566	$ 6,447,670	$ 2,093,743,896

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

PROTECTIVE LIFE AND ANNUITY INSURANCE COMPANY
STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
For the Year Ended December 31, 2014

LIABILITIES	
Aggregate reserves for life contracts	$ 1,622,737,041
Aggregate reserves for accident and health contracts	3,705,224
Liability for deposit-type contracts	8,427,184
Contract claims:	
Life	13,703,669
Accident and health	48,812
Policyholders' dividends and coupons due and unpaid	1,371
Dividends apportioned for payment	73,392
Premiums and annuity considerations for life and accident and health contracts received in advance less discount; including accident and health premiums	102,761
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance, including assumed and ceded	1,168,934
Interest maintenance reserve (IMR)	15,050,773
Commissions to agents due or accrued-life and annuity contracts, accident and health, and deposit type-contract funds	247,928
General expenses due or accrued	6,582
Transfers to Separate Accounts due or accrued	(8,110,004)
Taxes, licenses and fees due or accrued, excluding federal income taxes	278,938
Current federal and foreign income taxes, including realized capital gains (losses)	187,262
Unearned investment income	1,108,275
Amount withheld or retained by company as agent or trustee	930,420
Remittances and items not allocated	1,928,779
Miscellaneous liabilities:	
Asset valuation reserves (AVR)	12,542,205
Reinsurance in unauthorized and certified companies	5,148
Payable to parent, subsidiaries and affiliates	2,070,219
Funds held under coinsurance	775,914
Payable for securities	12,465
Total liabilities excluding Separate Accounts business	$ 1,677,003,292
From Separate Account Statement	233,299,163
Total liabilities	$ 1,910,302,455
CAPITAL AND SURPLUS	
Common capital stock	2,500,000
Preferred capital stock	2,000
Gross paid in and contributed surplus	190,568,862
Unassigned funds (surplus)	(9,629,420)
Total Surplus	$ 180,939,442
Total Capital and Surplus	$ 183,441,442
TOTAL LIABILITIES, CAPITAL AND SURPLUS	$ 2,093,743,897

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, 2014, 2013, 2012, 2011 and 2010

	2014	2013	2012	2011	2010
Income					
Premiums and annuity consideration for life and accident health contracts	$ 48,952,280	$ 156,576,485	$ 290,145,946	$ 266,966,341	$ 194,612,952
Considerations for supplementary contracts with life contingencies	235,067	707,318	2,175,796	-	-
Net investment income	92,654,833	95,207,850	97,267,632	92,014,882	56,871,050
Amortization of Interest Maintenance Reserves	2,067,923	1,497,445	642,379	180,833	590,862
Separate Accounts net gain from operations excluding unrealized gains or losses	816,999	(564,046)	960,373	920,791	1,003,078
Commissions and expense allowances on reinsurance ceded	3,466,349	3,638,082	4,007,771	4,016,313	1,832,899
Reserve adjustments on reinsurance ceded	(17,804,414)	(25,964,242)	(28,378,562)	(20,350,931)	-
Miscellaneous Income:					
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	5,426,584	4,604,409	2,080,879	779,632	201,054
Aggregate write-ins for miscellaneous income	859,238	734,068	329,361	127,962	34,718
Total Income	$ 136,674,859	$ 236,437,369	$ 369,231,575	$ 344,655,823	$ 255,146,613
Deductions:					
Death benefits	11,682,972	11,305,503	11,376,545	12,089,377	9,965,482
Matured endowments	99,163	46,612	43,622	53,929	30,224
Annuity benefits	17,522,906	16,188,090	17,213,060	21,079,395	5,071,617
Disability benefits and benefits under accident and health contracts	843,248	836,099	994,589	950,508	1,012,210
Coupons, guaranteed annual pure endowments and similar benefits	5,828	6,754	7,061	7,451	7,827
Surrender benefits and withdrawals for life contracts	114,446,871	112,541,361	104,921,897	88,112,701	58,434,887
Interest and adjustments on contract or deposit-type contract funds	117,369	667,739	493,633	278,276	307,984
Payments on supplementary contracts with life contingencies	466,234	498,601	188,121	25,590	1,548
Increase in aggregate reserves for life and accident and health contracts	(67,845,292)	(32,154,240)	97,787,732	131,721,155	131,447,604
Totals	$ 77,339,299	$ 109,936,519	$ 233,026,260	$ 254,318,382	$ 206,279,383
Commissions on premiums, annuity considerations, and deposit-type contract funds	4,470,220	9,437,972	13,872,236	12,414,837	10246912
Commissions and expense allowances on reinsurance assumed	20,645	28,799	53,852	111,789	197121
General Insurance Expenses	8,115,895	11,372,683	12,226,108	9,643,223	9433610
Insurance taxes, licenses and fees, excluding federal income taxes	1,497,918	5,538,801	1,464,610	2,027,137	1236901
Increase in loading on deferred and uncollected premiums	(849)	(51,735)	(33,788)	90,018	-11274
Net transfers to or (from) Separate Accounts net of reinsurance	(2,158,342)	59,819,752	65,791,041	28,358,436	2575183
Aggregate write-ins for deductions	120,314	95,703	170,140	199,362	99,345
Total deductions	$ 89,405,100	$ 196,178,494	$ 326,570,459	$ 307,163,184	$ 230,057,181
Net gains from operations before dividends to policyholders and federal income taxes	47,269,759	40,258,876	42,661,114	37,492,639	25,089,430
Dividends to policyholders	73,475	75,748	79,826	83,949	86,950
Net gains from operations after dividends to policyholders and before federal income taxes	$ 47,196,284	$ 40,183,128	$ 42,581,288	$ 37,408,690	$ 25,002,480
Federal and foreign income taxes incurred	13,764,831	12,133,502	13,353,683	11,487,684	7,592,143
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	33,431,453	28,049,626	29,227,605	25,921,006	17,410,337
Net realized capital gains (losses) transferred to the IMR)	203,518	(378,923)	(1,295,676)	(1,421,195)	(550,129)
Net income	$ 33,634,971	$ 27,670,703	$ 27,931,929	$ 24,499,811	$ 16,860,208

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, 2014, 2013, 2012, 2011 and 2010

	2014	2013	2012	2011	2010
Capital and surplus, December 31, prior year	$ 193,624,112	$ 206,349,194	$ 180,536,006	$ 171,795,251	$ 78,663,781
Net income	33,634,971	27,670,704	27,931,928	24,499,811	16,860,207
Change in net unrealized capital gains (losses) less capital gain tax	3,354	35,887	359,468	(372,992)	994,362
Change in net deferred income tax	(1,615,873)	(530,226)	(1,084,213)	(599,185)	(383,929)
Change in nonadmitted assets	2,049,032	699,813	942,367	32,358	1,171,069
Change in liability for reinsurance in unauthorized and certified companies	3,089	(3,409)	(4,828)	4,400	(4,111)
Change in asset valuation reserve	534,931	(348,519)	(1,824,333)	(1,198,140)	(2,109,492)
Surplus (contributed to) withdrawn from Separate Accounts during period	816,999	(564,046)	960,373	920,792	1,003,078
Other changes in surplus in Separate Account Statement	(816,999)	564,046	(960,373)	(920,792)	(1,003,078)
Surplus adjustments:					
Paid in	(44,500,000)	(39,800,000)	-	(4,400,000)	(13,000,000)
Change in surplus as a result of reinsurance	(292,174)	(449,332)	(507,200)	(475,497)	-
Dividend to stockholders	-	-	-	(8,750,000)	-
Net change in capital and surplus for the year	$ (10,182,670)	$ (12,725,082)	$ 25,813,189	$ 8,740,755	$ 3,528,106
Capital and surplus, December 31, current year	$ 183,441,442	$ 193,624,112	$ 206,349,195	$ 180,536,006	$ 82,191,887

Immaterial variances may exist due to rounding.

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Analysis of Changes 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

There were no recommendations made in the prior examination report.

SUBSEQUENT EVENTS

The examiners reviewed general ledger and cash transactions occurring subsequent to the balance sheet date. In addition, the examiners inquired of management regarding any significant subsequent events.

On February 1, 2015, the completion of the acquisition of the Protective Life Corporation (PLC), the Company's ultimate parent, by Dai-ichi Life was announced in accordance with the terms of the previously announced Agreement and Plan of Merger dated June 3, 2014, among PLC, Dai-ichi Life, and DL Investment (Delaware), Inc., a wholly -owned subsidiary of Dai-ichi Life. As a result of the merger, each outstanding share of common stock of PLC was converted into the right to receive the Per Share Merger Consideration in cash, and the Company become a wholly owned subsidiary of Dai-ichi Life. PLC's common stock has ceased trading, and was delisted from the New York Stock Exchange on February 13, 2015.

The Company paid an extraordinary cash dividend of $41,000,000 to its parent, Protective Life Insurance Company, in the second quarter of 2015. The dividend was accounted for as a paid in surplus adjustment.

COMMENTS AND RECOMMENDATIONS

Conflict of Interest – Page 10

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

Accounts and Records – Page 25

It is recommended that the Company maintain all email notifications sent to management for its monthly and quarterly reports to document its controls in accordance with ALA. ADMIN. 482-1-118-.03, which states

> Every insurer, which term shall include every domestic insurer, foreign insurer, health care services corporation, health maintenance organization, prepaid dental plan, managing general agent or any other legal entity regulated by the Insurance Code and licensed to do business in this state shall maintain its books, records, documents and other business records in order that the insurer's financial condition may be readily ascertained by the Department of Insurance, taking into consideration other record retention requirements. All records must be maintained for not less than five (5) years.

CONCLUSION

Acknowledgement is hereby made of the courteous cooperation extended by the officers of Protective Life and Annuity Insurance Company and the employees of Protective Life Corporation and Protective Life Insurance Company during the course of this examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent deemed appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Regina Barnhart, Toni Bean, CFE, Joanna Kirkland, Mora Perkins-Taylor, MCM, Agnes Riggins, and Charles Turner, CISA, examiners and Harland Dyer, ACAS, actuarial examiner for the State of Alabama Department of Insurance participated in this examination of Protective Life and Annuity Insurance Company.

Respectfully submitted,

Rhonda Ball

Rhonda Ball, CFE
Examiner-in-Charge
State of Alabama
Department of Insurance