



MARKET CONDUCT REPORT ON EXAMINATION

OF THE

PROVIDENT LIFE AND CASUALTY INSURANCE COMPANY

AS OF DECEMBER 31, 2019

EXAMINER:

FLORA EGBUCHULAM

DATE OF REPORT:

MARCH 12, 2021

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

January 13, 2023

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32140, dated September 24, 2020, and annexed hereto, an examination has been made into the condition and affairs of Provident Life and Casualty Insurance Company, hereinafter referred to as "the Company". The Company's home office is located at 1 Fountain Square, Chattanooga, TN 37402. The examination was conducted remotely because of the COVID-19 pandemic.

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

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

1. EXECUTIVE SUMMARY

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

- The Company violated Section 3211(a)(1) of the New York Insurance Law when it failed to mail premium notices for universal life policies in which the amount and frequency of premiums may vary, no earlier than and within thirty days after it determined that the net cash surrender value under the policy was insufficient to pay the total charges that are necessary to keep the policy in force. (See item 4C-2 of this report.)
- The Company also violated Section 3211(a)(1) of the New York Insurance Law when it failed to duly mail a scheduled payment premium due notice at least fifteen and not more than forty-five days prior to the day when the payment became due on the term life insurance policy. (See item 4C-2 of this report.)
- The Company violated Section 3211(b)(2) of the New York Insurance Law by disseminating premium due notices that failed to contain the required language that the policy shall terminate or lapse “except as to the right to any cash surrender or nonforfeiture benefit”. (See item 4C-2 of this report.)

2. SCOPE OF EXAMINATION

This examination covers the period from January 1, 2013, to December 31, 2019. As necessary, the examiner reviewed matters occurring subsequent to December 31, 2019, but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a review of market conduct activities and utilized the National Association of Insurance Commissioners' *Market Regulations Handbook* or such other examination procedures, as deemed appropriate, in such review.

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

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of the State of Tennessee on October 17, 1951, and commenced business on January 1, 1952. It was admitted to writing business in New York on November 13, 1951 and is authorized to write life and accident and health insurance.

Initial capital was \$350,000 and consisted of three thousand five hundred (3,500) shares of common stock with a par value of \$100 per share. Subsequently, the charter has been amended at various times to increase the authorized capital and to increase or decrease the par value of individual shares.

On December 22, 1995, the Company's parent at that time, Provident Life and Accident Insurance Company, contributed all the stock of the Company to Provident Life Capital Corporation ("PLCC") as an extraordinary dividend. In March 1996, PLCC was dissolved, and its assets and liabilities were distributed to and assumed by Provident Companies, Inc. ("PCI").

On June 30, 1999, Unum Corporation merged with and into the Company's parent, PCI, in an exchange of stock. Following the merger of Unum Corporation and PCI, the resulting company became known as UnumProvident Corporation ("UnumProvident"). In June 1999, the Company became an operating subsidiary of UnumProvident. UnumProvident changed its name effective February 27, 2007, to Unum Group ("Unum"). The Company now operates as a subsidiary of Unum, a non-insurance holding company incorporated in Delaware.

On December 31, 2018, the Company had authorized capital stock of twelve thousand (12,000) shares of common stock with a par value of \$150 per share. All twelve thousand (12,000) shares were issued and outstanding, for a capital paid up of \$1,800,000. Unum, the ultimate parent of the Company, holds all of Provident Life and Casualty Assurance Company's publicly traded outstanding shares.

B. Territory and Plan of Operation

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

The Company is licensed to transact business in 31 states, and the District of Columbia. In 2019, 83.8% of life premiums and 56.2% of accident and health premiums were received from New York. Policies are written on a non-participating basis.

The Company's primary product is individual disability insurance, marketed primarily to employers and multi-life employee groups by the Company's sales force, working in conjunction with independent brokers and consultants. The Company acts as a New York marketing arm of its parent, Unum, whose primary focus is the individual disability income market.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2019:

<u>Life Insurance Premiums</u>		<u>Accident and Health Insurance Premiums</u>	
New York	83.8%	New York	56.2%
New Jersey	<u>4.1</u>	New Jersey	9.2
		Connecticut	<u>4.2</u>
Subtotal	87.9%	Subtotal	69.6%
All others	<u>12.1</u>	All others	<u>30.4</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

The principal lines of business sold during the examination period were individual disability insurance and dental insurance, which the Company began selling in 2018.

The Company also services its closed block of group long-term care and individual disability policies that were designed for non-workplace markets, prior to the Company's change in product mix that occurred from 1994 to 1998. Effective January 1, 2009, the Company stopped issuing individual life policies. However, increases are allowed on active policies.

The Company's agency operations are conducted on a general agency basis. The Company's products are marketed and sold through an independent contractor sales force, made up of independent contractor agents and brokers that are licensed and appointed with the Company.

4. MARKET CONDUCT ACTIVITIES

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

A. Advertising and Sales Activities

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

Section 215.13 of 11 NYCRR 215 (Insurance Regulation 34) states, in part:

“(a)The name of the actual insurer and the form number or numbers advertised shall be identified and made clear in all of its advertisements. An advertisement shall not use a trade name, any insurance group designation, name of the parent company of the insurer, name of a particular division of the insurer, service mark, slogan, symbol or other device which without disclosing the name of the actual insurer would have the capacity and tendency to mislead or deceive as to the true identity of the insurer.”

The examiner reviewed a sample of 20 advertisements that were used to sell disability income policies in New York, in 2017, 2018 and 2019. The review revealed that for 17 of the 20 (85%) advertisements, the advertisements did not contain the form number(s) for the products advertised.

The examiner's review of the Company's Advertising Log for the examination period revealed that of the 17 advertisements that did not contain form numbers, 6 (35.3%) were used by the Company. The six advertisements used by the Company that did not contain form numbers are the following:

- CE-14604: LTD Flyer
- CE-14626: Postcard
- CE-15445: Web presentation
- MK-3668: Flyer
- MK-3707: Flyer
- NS11-253: Web Page

The Company violated Section 215.13(a) of 11 NYCRR 215 (Insurance Regulation 34) by failing to clearly identify the applicable policy form numbers on its disability income advertisements.

The examiner recommends that the Company's advertisements for products issued in New York State include the form number.

B. Underwriting and Policy Forms

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

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

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

1. Fraud Warning Statement

Section 86.4 of 11 NYCRR 86 (Insurance Regulation 95) states, in part:

“(a) . . . all claim forms for insurance, ...and all applications for commercial insurance and accident and health insurance, provided to any person residing or located in this State in connection with insurance policies for issuance or issuance for delivery in this State, shall contain the following statement:

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation...

(d) Location of warning statements and type size. The warning statements required by subdivisions (a), (b) and (e) of this section shall be placed immediately above the space provided for the signature of the person executing the application or claim form and shall be printed in type which will produce a warning statement of conspicuous size. . . .”

The examiner's review of a sample of 20 individual life insurance claims revealed that in 19 claims (95.0%), the claim forms did not contain the New York statutorily required fraud warning statement immediately above the space provided for the signature of the person executing the claim form.

The Company violated Section 86.4(d) of 11 NYCRR 86 (Insurance Regulation 95) by failing to place the fraud warning statement immediately above the space provided for the signature of the person executing the claim form.

The examiner recommends that the Company amend its individual life insurance claim forms to comply with Section 86.4(d) of 11 NYCRR 86 (Insurance Regulation 95), by placing the required fraud warning statement immediately above the space provided for the signature of the person executing the claim form.

2. Premium Due Notices - Mailing and Disclosures

Section 3211 of the New York Insurance Law states, in part:

“(a)(1) No policy of life insurance or non-cancellable disability insurance delivered or issued for delivery in this state, . . . shall terminate or lapse by reason of default in payment of any premium . . . in less than one year after such default, unless, for scheduled premium policies, a notice shall have been duly mailed at least fifteen and not more than forty-five days prior to the day when such payment becomes due, or for life insurance policies in which the amount and frequency of premiums may vary, no earlier than and within thirty days after the day when the insurer determines that the net cash surrender value under the policy is insufficient to pay the total charges that are necessary to keep the policy in force. . . .”

(b) The notice required by paragraph one of subsection (a) hereof shall: . . .
(2) state the amount of such payment, the date when due, the place where and the person to whom it is payable; and shall also state that unless such payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or non-forfeiture benefit.”

The examiner reviewed a sample of 19 individual life insurance policies, 18 universal life and 1 term life, that lapsed in 2017, 2018 and 2019. The examiner's review revealed that in all 18 universal life policies reviewed, the Company failed to mail the notice no earlier than and within thirty days after it determined that the net cash surrender value under the policy was insufficient to pay the total charges that are necessary to keep the policy in force.

The examiner also noted that 6 of the 18 universal life insurance policies (33.3%) were on “coupon billing”, which is a method in which twelve months supply of premium notices (“coupons”) are generated and mailed to the policyholder at the same time. This billing method does not consider the policy account value at the time of mailing. Of the 2,237 universal life and term life policies that lapsed during the examination period, 106 were on coupon billing.

The examiner’s review of the individual term life insurance policy, which was on scheduled premium billing, indicated that the policyholder received two premium due notices dated September 27, 2017 and November 1, 2017, as well as a termination letter that is dated May 11, 2018. The termination letter indicates that the policy lapsed as of January 1, 2017.

The Company violated Section 3211(a)(1) of the New York Insurance Law when it failed to mail premium notices for universal life policies in which the amount and frequency of premiums may vary, no earlier than and within thirty days after it determined that the net cash surrender value under the policy was insufficient to pay the total charges that are necessary to keep the policy in force.

The Company also violated Section 3211(a)(1) of the New York Insurance Law when it failed to duly mail a scheduled payment premium due notice at least fifteen and not more than forty-five days prior to the day when the payment became due on the term life insurance policy.

The examiner recommends that the Company mail to its policyholders, premium due notices that comply with the specific timeframes set forth in Section 3211(a)(1) of the New York Insurance Law.

The examiner’s review of the premium due notices for the sample of 19 lapsed policies also revealed that the premium notices did not state that “except as to the right to any cash surrender value or non-forfeiture benefit”, a statement that is required on premium notices under Section 3211(b)(2) of the New York Insurance Law.

The Company violated Section 3211(b)(2) of the New York Insurance Law by disseminating premium due notices that failed to contain the required language that the policy shall terminate or lapse “except as to the right to any cash surrender or nonforfeiture benefit”.

The examiner recommends that, going forward, the Company amend its premium due notices to comply with Section 3211(b)(2) of the New York Insurance Law, by including all required statements on such notices.

The Company agreed to pay the death benefit for all policies if the policyholder received a defective notice during the examination period, and the insured person under the policy died within one year of the date of default.

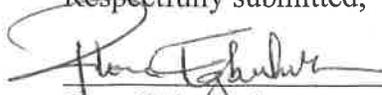
5. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 215.13(a) of 11 NYCRR 215 (Insurance Regulation 34) by failing to clearly identify the applicable policy form numbers on its disability income advertisements.	7
B	The examiner recommends that the Company's advertisements for products issued in New York State include the form number.	7
C	The Company violated Section 86.4(d) of 11 NYCRR 86 (Insurance Regulation 95) by failing to place the fraud warning statement immediately above the space provided for the signature of the person executing the claim form.	8
D	The examiner recommends that the Company amend its individual life insurance claim forms to comply with Section 86.4(d) of 11 NYCRR 86 (Insurance Regulation 95), by placing the required fraud warning statement immediately above the space provided for the signature of the person executing the claim form.	8
E	The Company violated Section 3211(a)(1) of the New York Insurance Law when it failed to mail premium notices for universal life policies in which the amount and frequency of premiums may vary, no earlier than and within thirty days after it determined that the net cash surrender value under the policy was insufficient to pay the total charges that are necessary to keep the policy in force.	9
F	The Company also violated Section 3211(a)(1) of the New York Insurance Law when it failed to duly mail a scheduled payment premium due notice at least fifteen and not more than forty-five days prior to the day when the payment became due on the term life insurance policy.	9
G	The examiner recommends that the Company mail to its policyholders, premium due notices that comply with the specific timeframes set forth in Section 3211(a)(1) of the New York Insurance Law.	9

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
H	The Company violated Section 3211(b)(2) of the New York Insurance Law by disseminating premium due notices that failed to contain the required language that the policy shall terminate or lapse “except as to the right to any cash surrender or nonforfeiture benefit”.	9
I	The examiner recommends that, going forward, the Company amend its premium due notices to comply with Section 3211(b)(2) of the New York Insurance Law, by including all required statements on such notices.	9

Respectfully submitted,



Flora Egbuchulam
Associate Insurance Examiner

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

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



Flora Egbuchulam

Subscribed and sworn to before me
this 13th day of January, 2023



AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

/s/

Christine Mavour
Associate Insurance Examiner

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

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

/s/

Christine Mavour

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32140

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **LINDA A. LACEWELL**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

FLORA EGBUCHULAM

as a proper person to examine the affairs of the
PROVIDENT LIFE AND CASUALTY INSURANCE COMPANY
and to make a report to me in writing of the condition of said
COMPANY

with such other information as he shall deem requisite.

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

this 24th day of September, 2020

LINDA A. LACEWELL
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

