



**COMMONWEALTH OF MASSACHUSETTS**  
**OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION**  
**DIVISION OF INSURANCE**

***REPORT OF EXAMINATION OF***  
**THE PAUL REVERE LIFE INSURANCE COMPANY**

**Worcester, Massachusetts**

**As of December 31, 2013**

**NAIC GROUP CODE 565**

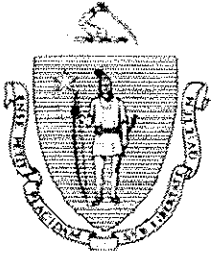
**NAIC COMPANY CODE 67598**

**EMPLOYERS ID NUMBER 04-1768571**

# THE PAUL REVERE LIFE INSURANCE COMPANY

## TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of Examination	2
Summary of Significant Findings	3
Subsequent Events	3
Company History	3
General	3
Common Capital Stock	3
Dividends to Stockholder	3
Corporate Records	4
Articles of Incorporation and Bylaws	4
Board of Directors Minutes	4
Conflict of Interest Procedures	4
Disaster Recovery and Business Continuity	4
Management and Control	4
Annual Meeting of Stockholder	4
Board of Directors	5
Committees of the Board	5
Officers	6
Affiliated Companies	6
Transactions and Agreements with Subsidiaries and Affiliates	6
Organization Chart	7
Fidelity Bonds and Other Insurance	7
Territory and Plan of Operation	7
Treatment of Policyholders	8
Growth of Company	8
Reinsurance	8
Inter-company Reinsurance Transactions	9
Accounts and Record	9
Statutory Deposits	10
Financial Statements	11
Statement of Assets, Liabilities, Surplus and Other Funds	12
Summary of Operations	14
Statement of Changes in Capital and Surplus	15
Reconciliation of Capital and Surplus for the Five Year Period Ended	16
December 31, 2013	
Acknowledgement	17



**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

1000 Washington Street, Suite 810 • Boston, MA 02118-6200  
(617) 521-7794 • <http://www.mass.gov/doi>

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GOVERNOR

**KARYN POLITO**  
LIEUTENANT GOVERNOR

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AND BUSINESS REGULATION

**DANIEL R. JUDSON**  
COMMISSIONER OF INSURANCE

May 28, 2015

Honorable Daniel R. Judson  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, Massachusetts 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, an examination has been made of the financial condition and affairs as of December 31, 2013,

**THE PAUL REVERE LIFE INSURANCE COMPANY**

at its home office at 1 Mercantile Street, Worcester, Massachusetts 01608 and its administrative offices located at 1 Fountain Square, Chattanooga, Tennessee 37402. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

The Paul Revere Life Insurance Company ("PRL" or "the Company") was last examined as of December 31, 2008 by the Massachusetts Division of Insurance ("Division"). The current examination was also conducted by the Division and covers the five-year period from January 1, 2009 through December 31, 2013, including any material transactions and/or events occurring subsequent and noted during the course of this examination.

The current examination was conducted at the direction of and under the overall management and control of the examination staff of the Massachusetts Division of Insurance in accordance with standards established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee, the requirements of the 2014 Edition of the NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division, and with Massachusetts General Laws. Representatives from the firms Deloitte & Touche LLP, and Deloitte Consulting LLP, (collectively called "Deloitte") were engaged by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division's examination staff. This assistance included a review of accounting records, information technology systems, investments, and actuarially determined loss and loss adjustment expense reserves. Examination procedures performed by Deloitte were reviewed and approved by the Division. Deloitte was also engaged to conduct a concurrent examination of The Paul Revere Variable Annuity Insurance Company ("PRVAIC"), the Company's wholly owned subsidiary which is also a Massachusetts domiciled insurer and the subject of a separate examination report. Both the Company and PRVAIC are owned by Unum Group, which is a non insurance holding company domiciled in Delaware.

The Insurance Bureau of the State of Maine conducted a coordinated examination of Unum Life Insurance Company of America ("Unum Life") and Massachusetts was invited to participate in Maine's coordinated exam. Unum Life is the largest domestic insurer of the Unum Group and an affiliate of PRL with common management and corporate governance structure. However given the dissimilarities of operations, business model, and IT systems supporting PRL and PRVAIC's operations, full coordination with the Maine Bureau was deemed to not be an effective examination approach. The Division did leverage work performed by the Maine Bureau where possible, which included matters relating to corporate governance, investments and IT general controls.

The examination was conducted following the NAIC risk-focused examination process. The risk-focused approach requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and NAIC Annual Statement Instructions and applicable domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. In addition to the foregoing, the examination included a review of the Company's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bonds and other insurance, employees' pension and benefits plans, disaster recovery plan and other pertinent matters to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and

## The Paul Revere Life Insurance Company

conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

The Company is audited annually by Ernst & Young LLP ("E&Y"), an independent certified public accounting firm, in accordance with 211 CMR 26.00 and 211 CMR 23.00. The firm expressed unqualified opinions on the Company's statutory financial statements for each of the years under examination. E&Y's audit work was evaluated and relied upon where deemed appropriate and effective. The work of the Company's internal auditors was also reviewed and relied upon to the extent deemed appropriate.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings identified during the examination.

### **SUBSEQUENT EVENTS**

On August 13, 2014, the Company, with approval from the Massachusetts Insurance Commissioner, paid an extraordinary dividend of \$54,600,000 in the form of 100% of the stock of PRVAIC to Unum Group. PRVAIC is now a wholly-owned subsidiary of Unum Group.

Effective December 19, 2014, PRVAIC redomesticated from the Commonwealth of Massachusetts to the State of Maine. Subsequent to its redomestication, PRVAIC was granted a license as a foreign company to transact business in Massachusetts.

### **COMPANY HISTORY**

#### **General**

The Company was incorporated under the laws of the Commonwealth of Massachusetts on June 10, 1930 and commenced business July 10, 1930. The Company was incorporated as a stock company and is authorized to write life, accident and health insurance. The Company no longer actively writes new business, other than some business in the state of New York, but rather focuses most of its operations on managing a closed block of disability income insurance.

As of the examination date, the Company was a wholly owned subsidiary of Unum Group, a non-insurance holding company incorporated in the State of Delaware. Unum Group is a leading provider of work place benefit insurance plans in the US and United Kingdom.

#### **Common Capital Stock**

The Company has issued and outstanding 1,960,000 shares of common stock, with a par value per share of \$5.00. All outstanding shares are owned by Unum Group.

#### **Dividends to Stockholders**

The following table illustrates the total dividends paid by the Company to its parent, Unum Group, during the period covered by this examination:

## The Paul Revere Life Insurance Company

### Dividends Paid

2009	\$ -0-
2010	75,000,000
2011	65,000,000
2012	80,000,000
2013	80,000,000
Total	<u>\$300,000,000</u>

The Company received dividends from Provident Life and Accident Insurance Company totaling \$50,500,000 during the five year exam period. During 2009, the Company received from PRVAIC total dividends in the form of cash and securities of \$70,000,000.

### CORPORATE RECORDS

#### Articles of Organization and Bylaws

The Company's articles of organization and bylaws were reviewed. The current bylaws were adopted by the Board of Directors effective September 9, 2010 however there were no substantial changes to the bylaws since the prior examination. There were no amendments to the articles of organization.

#### Board of Directors Minutes

The minutes of the Board of Directors and Committee meetings for the period under examination were obtained and reviewed. The review indicated that all meetings were held in accordance with Company bylaws and the laws of the Commonwealth of Massachusetts.

#### Conflict of Interest Procedures

The Unum Group and its subsidiaries, including the Company, adhere to a "Code of Conduct Policy". On an annual basis, Unum Group requires certain categories of employees affirm their compliance with the policy by completing a conflict of interest statement. These statements were reviewed for the period covered by the examination and no exceptions were noted.

#### Disaster Recovery and Business Continuity

The Company provides for the continuity of management in the event of a catastrophe or other emergency in accordance with sections 180M through 180Q of Chapter 175 of the Massachusetts General Laws.

### MANAGEMENT AND CONTROL

#### Annual Meeting of Stockholder

The annual meeting of the stockholder shall be held within six months of the Company's fiscal year-end or, if not so held, a special meeting in lieu of the annual meeting shall be held which shall have all of the force and effect of an annual meeting. Special meetings of the stockholder

## The Paul Revere Life Insurance Company

may be called by the Chairman of the Board, the President, any Vice President or the Board of Directors and shall be called by the Secretary upon written notice. The Company held the annual meetings within these guidelines.

### Board of Directors

At the annual meeting of the stockholder, the stockholder shall choose by ballot not fewer than five Directors who shall hold office for one year or until their successors are elected and qualified. Not less than four Directors shall constitute a quorum. A majority of those Directors in attendance may transact business at such meeting. Vacancies may be filled by the Board of Directors by election for the unexpired term.

The following five Directors, all of whom are considered inside Directors, were serving as of December 31, 2013:

<b>Name</b>	<b>Title and Affiliation</b>
E. Liston Bishop III	Executive Vice President and General Counsel, Unum Group
Christopher J. Jerome	Executive Vice President, Global Services, Unum Group
Richard P. McKenney	Executive Vice President and Chief Financial Officer, Unum Group
Michael Q. Simonds	President and Chief Executive Officer, Unum US
Thomas R. Watjen	President, Chief Executive Officer and Chairman, Unum Group

### Committees of the Board

As of the examination date, the Board of Directors elected an Executive Committee and an Investment Committee. In addition, as a wholly-owned subsidiary of Unum Group, the Company falls under the executive management and corporate governance structure of the Unum Group Board of Directors. Committees of the Board of Directors of the Unum Group include the *Audit Committee, Finance Committee, Governance Committee, Human Capital Committee, and Regulatory Compliance Committee.*

### Executive Committee

When the Board of Directors is not in session, the Executive Committee shall have all the powers of the Board of Directors.

At December 31, 2013, the Executive Committee consisted of the following members:

Thomas R. Watjen, Chair  
E. Liston Bishop, III  
Richard P. McKenney

### Investment Committee

In accordance with Article XI of the Company's bylaws, the Board of Directors shall elect an Investment Committee consisting of one or more officers of the Company who are authorized to acquire or dispose of investments for the Company between meetings of the Board of Directors under such restrictions and conditions as the Board of Directors deems advisable. All such acquisitions or disposals by the Investment Committee shall be reported and recorded in the minutes of the next Board of Directors or Board committee.

At December 31, 2013, the Investment Committee consisted of the following members:

## The Paul Revere Life Insurance Company

Breege A. Farrell, Chair	Steve P. Harry
Roger L. Martin	Jack F. McGarry
Richard P. McKenney	Stephen J. Mitchell
Susan N. Roth	Thomas A. H. White

### Officers

The principal senior officers of the Company and their respective titles at December 31, 2013 were as follows:

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

### Affiliated Companies

The Company is a member of a holding company system and is subject to the registration requirements of Chapter 175, Section 206C of the Massachusetts General Laws. The Company is a wholly owned subsidiary of Unum Group, the "ultimate controlling person" of the Group per Form B, as filed with the Division.

The Company owns 100% of the stock of PRVAIC. As noted under subsequent events, PRVAIC is now a wholly-owned subsidiary of Unum Group and PRVAIC redomesticated to the State of Maine during the fourth quarter of 2014. The Company also owns a 10.1% share of Provident Life and Accident Insurance Company (PLAIC), a Tennessee domiciled insurance company. Unum Group owns 85.9% and the remaining 4.0% of PLAIC is owned by Unum Life Insurance Company of America.

### Transactions and Agreements with Subsidiaries and Affiliates

#### *Service Agreements*

The Unum Group provides the Company with facilities, managerial, administrative, investment and technical services pursuant to a General Services Agreement effective on March 28, 1998 and amended on August 8, 2006. Such shared costs and expenses are allocated based on time and usage studies.

#### *Tax Sharing Agreement*

The Company's federal income tax return is consolidated with other affiliates in the federal



## The Paul Revere Life Insurance Company

income tax return of Unum Group. The income tax allocation is subject to a written tax sharing agreement. The agreement provides that the portion of the consolidated tax liability allocated to the Company is based on its separate return tax liability. Under the agreement, additional tax benefits are allocated to the Company for its portion of net operating losses and tax credit carry forwards in the year they are used by the consolidated group.

### Organizational Chart

The Company is a member of the Unum Group, which has operations in the United States, Canada and parts of the United Kingdom. The following illustrates only insurance companies within the group with NAIC Company Codes. Please refer to the Company's December 31, 2013 Annual Statement filing for a complete organizational chart.

#### Unum Group

- First Unum Life Insurance Company
- Unum Life Insurance Company of America
- Colonial Life & Accident Insurance Company
- Tailwind Holdings LLC
  - Tailwind Reinsurance Company
- Northwind Holdings LLC
  - Northwind Reinsurance Company
- The Paul Revere Life Insurance Company**
  - The Paul Revere Variable Annuity Insurance Company (2)
- Provident Life and Accident Insurance Company (1)
- Provident Life and Casualty Insurance Company

- (1) 85.9% owned by Unum Group; 10.1% owned by The Paul Revere Life Insurance Company; 4.0% owned by Unum Life Insurance Company of America
- (2) As previously noted PRVAIC is now a direct subsidiary of Unum Group

### FIDELITY BONDS AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer consistent with Massachusetts General Laws, Chapter 175, Section 60. The aggregate limit of liability on these policies is in excess of NAIC suggested minimum amounts for fidelity insurance. The Company is also a name insured, either itself or together with other subsidiaries and affiliates on policies with external carriers providing protection against various other exposures. All policies evidencing the above coverage's were with licensed and/or authorized insurers in Massachusetts and were in-force at December 31, 2013.

### TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact business in all fifty states, the District of Columbia and Canada. Disability insurance had been the Company's primary product line since its founding. The Company no longer writes new business other than some new business in the state of New York, however, it continues to manage and administer existing business.

The principal product of the Company's Individual Disability Income business line is primarily traditional non-cancelable disability income insurance which is also essentially a

## The Paul Revere Life Insurance Company

closed block, with the only increases in coverage amounts being attributable to policy changes, upgrades, exchanges, etc. The product was marketed primarily to professionals and executives, including many physicians, lawyers, and corporate executives. These individual disability policies provide monthly benefits to policyholders for qualifying disabilities after an elimination period.

### Treatment of Policyholders

During the financial examination of the Company, the Division's Market Conduct Department initiated a comprehensive market conduct examination of the Company as of December 31, 2013. The market conduct examination was called pursuant to authority in M.G.L. Chapter 175, Section 4. The market conduct examination was conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. Representatives from the firm of INS Insurance Regulatory Services, Inc. were engaged to complete certain agreed upon procedures which were developed using the guidance and standards of the NAIC Market Regulation Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins. The business areas that were reviewed under this comprehensive market conduct examination are Company Operations/Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services; Underwriting and Rating and Claims. Each business area reviewed includes the identification and evaluation of the insurer's internal controls.

### GROWTH OF COMPANY

The growth of the Company for the years 2009 through 2013 is shown in the following schedule, which was prepared from the Company's statutory Annual Statement filings:

Year	Premium Income	Admitted Assets	Total Liabilities	Capital and Surplus
2013	\$ 90,421,409	\$ 4,301,833,572	\$ 3,965,746,374	\$ 336,087,198
2012	91,893,266	4,458,163,857	4,089,880,401	368,283,456
2011	93,396,419	4,602,368,113	4,194,380,983	407,987,130
2010	90,419,127	4,678,402,839	4,258,900,381	419,502,458
2009	92,045,705	4,744,807,086	4,294,318,916	450,488,170

### REINSURANCE

In the normal course of business, the Company assumes reinsurance from and cedes reinsurance to other reinsurance companies. The primary purpose of ceded reinsurance is to limit losses from large exposures. However, if the assuming reinsurer is unable to meet its obligations, the Company remains contingently liable. The Company evaluates the financial condition of reinsurers to whom it cedes business and monitors concentration of credit risk to minimize this exposure.

In general, the maximum amount of risk retained and not ceded during the 2009 – 2013 time period was \$0.75 million on any group life and accidental death and dismemberment insurance.

Each year catastrophe excess of loss reinsurance is purchased that provides coverage for each statutory company, including PRL. The reinsurers and coverage amounts can and do vary by

## The Paul Revere Life Insurance Company

year. In 2013, there was global catastrophic reinsurance coverage which included five layers of coverage to limit exposure under life, accidental death and dismemberment, long-term care, and disability policies in regards to a catastrophic event. The Company had 50 percent reinsurance coverage in the first layer, 80 percent coverage in the second, third, and fourth layers, and 60 percent coverage in the fifth layer, for a total of \$475 million of catastrophic coverage, after a \$50 million deductible. Layer one provided \$25 million of coverage, layers two through four provided \$40 million, \$80 million, and \$120 million of coverage, respectively, and layer five provided \$210 million of coverage. Each layer provided coverage for all catastrophic events, including acts of war and any type of terrorism. Events may occur which limit or eliminate the availability of catastrophic reinsurance coverage in future years.

### Inter-company Reinsurance Transactions

Effective January 1, 2007, the Company reinsured to Northwind Reinsurance Company, an affiliate, a closed block of individual disability business. The modified coinsurance transaction was executed on an arms-length basis. At the inception of the transaction, the Company received a ceding commission and the remaining balance of the deferred gain, net of tax, as of December 31, 2013 was \$100,176,956 and is amortized based on the earnings stream of the reinsured business. As of December 31, 2013, the modified coinsurance reserve, including the statutory reserves previously assumed by the Company on a modified coinsurance basis from an unaffiliated insurer, was \$3,955,807,412.

Effective October 1, 2002, a portion of the group long-term disability business of the Company was ceded to Unum Life Insurance Company of America. The reinsurance transaction was executed on an arms-length basis and as of December 31, 2013 the ceded reserves and other liabilities was \$119,099,077.

Other than the two inter-company transactions noted above (i.e. the Northwind Re and Unum Life transactions) and the catastrophic reinsurance coverage, the Company does not generally reinsure group or individual income protection policies issued subsequent to 1999.

### ACCOUNTS AND RECORDS

The Company's accounts and records are maintained on a general ledger system consisting of a general ledger and numerous automated feeder systems which interface with the ledger. Manual entries are also input into the general ledger. The accounts and records of the Company are subject to review by the Company's Corporate Auditing Department and are audited annually by Ernst and Young LLP, independent certified public accountants. No material deficiencies were noted in the Company's accounts and records in the course of this examination.

The internal control structure was examined using the following major approaches: review of the work performed by E&Y; discussions with management based on the use of the NAIC's Exhibit B and Exhibit C Questionnaires, and re-performance testing to the extent necessary and deemed appropriate.

The books and records of the Company are audited annually by E&Y, in accordance with 211 CMR 26.00 and 211 CMR 23.00.

The Paul Revere Life Insurance Company

**STATUTORY DEPOSITS**

The following identifies the statutory deposits maintained by the Company as of December 31, 2013:

	<i>Deposits with the State of Domicile For the Benefit of All Policyholders</i>		<i>All Other Special Deposits</i>	
	<b>Book / Adjusted Carrying Value</b>	<b>Fair Value</b>	<b>Book / Adjusted Carrying Value</b>	<b>Fair Value</b>
Georgia			\$59,739	\$79,932
Kansas			248,914	333,050
Massachusetts	\$1,670,872	\$2,111,110		
New Mexico			114,500	153,203
North Carolina			396,039	489,355
Virginia			123,346	144,763
Aggregate Other			113,478,979	131,551,712
Total	\$1,670,872	\$2,111,110	\$114,421,517	\$132,752,015

**FINANCIAL STATEMENTS**

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2013. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2013

Summary of Operations for the Year Ended December 31, 2013

Statement of Capital and Surplus for the Year Ended December 31, 2013

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2013

# The Paul Revere Life Insurance Company

## The Paul Revere Life Insurance Company Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2013

Assets	As Reported by the Company	Examination Changes	Per Statutory Examination
Bonds	\$ 3,704,035,053	\$ 0	\$ 3,704,035,053
Preferred stocks	77,919,220		77,919,220
Common stocks	110,699,675		110,699,675
Mortgage loans on real estate	133,920,149		133,920,149
Real estate properties held for sale	7,320,480		7,320,480
Cash, cash equivalents and short-term investments	13,364,670		13,364,670
Contract loans	2,642		2,642
Other invested assets	49,681,305		49,681,305
Receivable for securities	83,617		83,617
Securities lending reinvested collateral assets	1,870,875		1,870,875
Subtotals, cash and invested assets	4,098,897,686		4,098,897,686
Investment income due and accrued	65,761,429		65,761,429
Premiums and considerations:			
Uncollected premiums and agents balances in course of collection	8,012,007		8,012,007
Premiums booked but deferred and not yet due	702,004		702,004
Reinsurance:			
Amounts recoverable from reinsurers	55,899,142		55,899,142
Other amounts receivable under reinsurance contracts	15,276,781		15,276,781
Net deferred tax asset	56,187,194		56,187,194
Guaranty funds receivable or on deposit	633,978		633,978
Receivables from parent, subsidiaries and affiliates	4,914		4,914
Aggregate write-ins for other than invested assets	458,437		458,437
<b>Total Assets</b>	<b>\$ 4,301,833,572</b>	<b>\$ 0</b>	<b>\$ 4,301,833,572</b>

# The Paul Revere Life Insurance Company

## The Paul Revere Life Insurance Company Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2013

Liabilities	As Reported by the Company	Examination Changes	Per Statutory Examination
Aggregate reserve for life contracts	\$ 136,929,085	\$ 0	\$ 136,929,085
Aggregate reserve for accident and health contracts	3,584,954,132		3,584,954,132
Liability for deposit-type contracts	1,405,679		1,405,679
Contract claims:			
Life	1,731,399		1,731,399
Accident and health	39,848,367		39,848,367
Premiums and annuity considerations received in advance	5,426,473		5,426,473
Contract liabilities not included elsewhere:			
Other amounts payable on reinsurance	66,595,292		66,595,292
Interest maintenance reserve	58,337,834		58,337,834
Commissions to agents due or accrued	4,836,829		4,836,829
Commissions and expense allowances payable on reinsurance assumed	149,555		149,555
General expenses due or accrued	307,120		307,120
Taxes, licenses and fees due or accrued, excluding federal income taxes	305,911		305,911
Current federal and foreign income taxes	3,838,471		3,838,471
Amounts withheld or retained by company as agent or trustee	85,291		85,291
Remittances and items not allocated	1,744,919		1,744,919
Borrowed money and interest thereon	1,000,005		1,000,005
Asset valuation reserve	35,371,205		35,371,205
Payable to parent, subsidiaries and affiliates	4,003,814		4,003,814
Derivatives	734,508		734,508
Payable for securities	2,500,000		2,500,000
Payable for securities lending	1,870,875		1,870,875
Aggregate write-ins for liabilities	13,769,610		13,769,610
<b>Total Liabilities</b>	<b>3,965,746,374</b>		<b>3,965,746,374</b>
Common capital stock	9,800,000		9,800,000
Aggregate write-ins for other than special surplus funds	108,336,480		108,336,480
Gross paid in and contributed surplus	176,415,878		176,415,878
Unassigned funds (surplus)	41,534,841		41,534,841
	326,287,198		326,287,198
Total capital and surplus	336,087,198		336,087,198
<b>Total Liabilities, Capital and Surplus</b>	<b>\$ 4,301,833,572</b>	<b>\$ 0</b>	<b>\$ 4,301,833,572</b>

# The Paul Revere Life Insurance Company

## The Paul Revere Life Insurance Company Summary of Operations For the Year Ended December 31, 2013

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premium and annuity considerations	\$ 90,421,409	\$ 0	\$ 90,421,409
Net investment income	289,277,507		289,277,507
Amortization of interest maintenance reserve	4,080,083		4,080,083
Commissions and expense allowances on reinsurance ceded	87,233,399		87,233,399
Reserve adjustments on reinsurance ceded	(120,387,450)		(120,387,450)
Aggregate write-ins for miscellaneous income	51,881,212		51,881,212
Totals	402,506,160		402,506,160
Death benefits	1,995,856		1,995,856
Annuity Benefits	16,111,550		16,111,550
Disability benefits and benefits under A&H policies	54,662,424		54,662,424
Surrender benefits and withdrawals for life contracts	20,597		20,597
Group conversions	9,326		9,326
Interest and adjustments on contract or deposit-type contract funds	90,971		90,971
Payments on supplementary contracts with life contingencies	140,588		140,588
Increase in aggregate reserves for life and accident and health policies and contracts	(99,424,548)		(99,424,548)
Totals	(26,393,235)		(26,393,235)
Commissions on premiums, annuity considerations and deposit-type contract funds	21,694,596		21,694,596
Commissions and expense allowances on reinsurance assumed	6,031,418		6,031,418
General insurance expenses	45,798,385		45,798,385
Insurance taxes, licenses and fees, excl. federal income taxes	10,368,475		10,368,475
Increase in loading on deferred and uncollected premiums	(5,055)		(5,055)
Aggregate write-ins for deductions	257,864,379		257,864,379
Totals	315,358,963		315,358,963
Net gain from operations before dividends to policyholders and federal income taxes	87,147,197		87,147,197
Federal income taxes incurred (excluding tax on capital gains)	15,081,805		15,081,805
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	72,065,392		72,065,392
Net realized capital gains or (losses)	(5,526,147)		(5,526,147)
Net Income	\$ 66,539,245	\$ 0	\$ 66,539,245



The Paul Revere Life Insurance Company

**The Paul Revere Life Insurance Company**  
**Capital and Surplus**  
**For the Year Ended December 31, 2013**

	<u>As Reported by the Company</u>	<u>Examination Changes</u>	<u>Per Statutory Examination</u>
Capital and surplus, December 31, prior year	\$ 368,283,455	\$ 0	\$ 368,283,455
Net income	66,539,245		66,539,245
Change in net unrealized capital gains (losses)			
less capital gains taxes	7,103,600		7,103,600
Change in net deferred income tax	5,527,980		5,527,980
Change in nonadmitted assets	(12,344,743)		(12,344,743)
Change in asset valuation reserve	2,375,363		2,375,363
Change in surplus as a result of reinsurance	(21,397,701)		(21,397,701)
Dividends to stockholders	(80,000,000)		(80,000,000)
Net change in capital and surplus for the year	(32,196,257)		(32,196,256)
Capital and surplus, December 31, 2013	<u>\$ 336,087,198</u>	<u>\$ 0</u>	<u>\$ 336,087,199</u>

# The Paul Revere Life Insurance Company

## The Paul Revere Life Insurance Company Reconciliation of Capital and Surplus For the Five Year Period Ended December 31, 2013

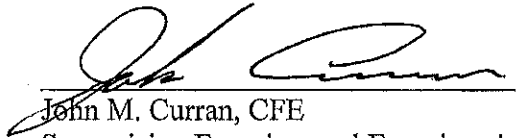
	2013	2012	2011	2010	2009
Capital and surplus, December 31, prior year	\$ 368,283,455	\$ 407,987,130	\$ 419,502,457	\$ 450,488,170	\$ 340,303,146
Net income	66,539,245	81,711,762	89,756,382	64,906,845	131,418,149
Change in net unrealized capital gains or (losses) less capital gains taxes	7,103,600	462,559	1,651,505	12,215,673	(48,711,167)
Change in net deferred income tax	5,527,980	(11,864,953)	(9,906,836)	(7,265,894)	(22,608,524)
Change in nonadmitted assets	(12,344,743)	(7,890,451)	5,917,973	6,073,140	(5,691,957)
Change in liability for reinsurance in unauthorized companies				204,237	46,384,164
Change in asset valuation reserves	2,375,363	2,473,134	(8,144,212)	(7,734,933)	2,612,715
Cumulative effect of change in accounting principles		(268,349)			
Change in surplus as a result of reinsurance	(21,397,701)	(24,327,377)	(26,370,610)	(25,251,983)	(25,388,547)
Dividends to stockholders	(80,000,000)	(80,000,000)	(65,000,000)	(75,000,000)	
Aggregate write-ins for gains and losses in surplus			580,470	867,202	32,170,190
Net change in capital and surplus for the year	(32,196,257)	(39,703,675)	(11,515,328)	(30,985,713)	110,185,023
Capital and surplus, December 31, current year	\$ 336,087,198	\$ 368,283,455	\$ 407,987,130	\$ 419,502,457	\$ 450,488,170

The Paul Revere Life Insurance Company

**ACKNOWLEDGEMENT**

Acknowledgment is made of the cooperation and courtesies extended by the officers and employees of the Company to all the examiners during the course of the examination.

The assistance rendered by Deloitte & Touche LLP who participated in this examination hereby is acknowledged.

A handwritten signature in dark ink, appearing to read "John M. Curran", is written over a horizontal line.

John M. Curran, CFE  
Supervising Examiner and Examiner-in-Charge  
Commonwealth of Massachusetts  
Division of Insurance  
Representing Northeastern Zone, NAIC