REPORT ON EXAMINATION

of the

PROTECTIVE LIFE INSURANCE COMPANY

2801 Highway 280 South

Birmingham, Alabama 35223

as of

December 31, 2009

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

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STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
INSURANCE DIVISION
500 JAMES ROBERTSON PARKWAY - 4TH FLOOR
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Birmingham, Alabama
May 31, 2011

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Commissioners:

Pursuant to your instructions and in accordance with the Tennessee Insurance Laws, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a financial examination and a market conduct review was made of the conditions and affairs of the

PROTECTIVE LIFE INSURANCE COMPANY
BIRMINGHAM, ALABAMA

as of December 31, 2009 (the "Company" or "PLIC").

INTRODUCTION

This examination was arranged by the Department of Commerce and Insurance of the State of Tennessee (TDCI or Department) under rules promulgated by the NAIC. It was commenced on June 1, 2010, and was conducted by duly authorized representatives of the TDCI. Due to the Company being licensed in many states, this examination is classified as an Association examination and therefore was called through the NAIC's Examination Tracking System. Notice of intent to participate was received from Delaware, Alabama, Nebraska and South Carolina. Delaware sent one zone examiner who participated in the completion of this examination. Alabama, Nebraska and South Carolina coordinated examinations they conducted on domiciled companies in their respective states with Tennessee's examination of PLIC. Further description of the coordination effort between the states is discussed below under the heading "SCOPE OF EXAMINATION."

The previous examination was made as of December 31, 2004, by examiners of the State of Tennessee. The report on examination contained a few comments and recommendations which required corrective action by the Company. The Company has corrected all of the issues noted in the last report. See Comments - Previous Examination section included under Scope of Examination on page 4.

SCOPE OF EXAMINATION

This examination covers the period January 1, 2005 through December 31, 2009 and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of examination.

The following Company examinations were coordinated with the examination of PLIC: Protective Life and Annuity Insurance Company (PLAIC) (Alabama domiciled subsidiary of PLIC), West Coast Life Insurance Company (WCL) (Nebraska domiciled subsidiary of PLIC), Golden Gate Captive Insurance Company (GGCIC) (South Carolina domiciled subsidiary of PLIC), Golden Gate II Captive Insurance Company (GGIICIC) (South Carolina domiciled subsidiary of PLIC), and Tower Captive Insurance Company (TCIC) (South Carolina domiciled subsidiary of PLIC). These examinations were coordinated with the five-year examination of the Company (PLIC), with Tennessee being the lead state. Alabama and Nebraska sent examiners on-site to the Company and coordinated their work with Tennessee's examiners. South Carolina had their examiners work off-site and relied a great bit on the work being generated by the coordinated team of examiners.

During planning, the examiners from the three states (TN, AL and NE) reviewed all accounts and balances and determined the activities and accounts that were key for all companies, and which would be examined in the PLIC examination. The key activities and material accounts within them included Premiums, Claims Handling, Reinsurance Ceded and Assumed, Reserves, Investments, Taxes and Related Parties.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of Tennessee, the Company's state of domicile 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.

The companies were examined as a consolidated group, and the examination was conducted in accordance with the *NAIC Financial Condition Examiners Handbook.* The examination was planned and performed to evaluate the financial condition of the companies as of December 31, 2009, and to identify prospective risks by obtaining information about the companies, including the corporate governance of the holding company, Protective Life Corporation (PLC), by identifying and assessing inherent risks within the companies and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions.

The Company's 2009 annual statement was compared with or reconciled to the corresponding general ledger account balances.

An examination of PLC's information systems (IS) was conducted concurrently with the financial examinations by the Nebraska IS examiner. All the Companies use the same computer information 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.

Each state performed a separate market conduct review concurrently with the financial examination. The examinations included reviews of the Companies' underwriting and rating, policy forms and filings, advertising, policyholder complaints, and a claims review. See the heading "MARKET CONDUCT ACTIVITIES" on page 15 for further discussion of the Company's market conduct review.

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 work papers for specific ones which had been identified as significant to the key activities and sub-activities being examined. The work papers were provided and were utilized where deemed appropriate.

Independent actuaries were utilized in the review of the Company's loss reserves. In addition, independent reinsurance specialists were utilized in the review of the Company's reinsurance agreements and overall reinsurance program.

PricewaterhouseCoopers, LLP was the certified public accountants (CPAs) and independent auditor for all the companies in the coordinated group for all years under examination. The examiners reviewed the CPAs' work papers for all years, copies of which were incorporated into the examination as deemed appropriate.

A letter of representation, dated as of the date of this report and certifying that management has disclosed all significant matters and records, was obtained from management and has been included in the work papers of this examination.

Comments - Previous Examination

The previous examination report order as of December 31, 2004 made five (5) recommendations, one of which was deleted (thus leaving four directives). Recommendation numbers three and four are listed together as number three below because the Order listed them as one Directive. Recommendation three was for the Reinsurance piece of number three below and recommendation four was for the contract loan piece of number three below. The Company has corrected all of the recommendations from the previous examination report. Below is a description of the prior examination report's recommendations with the Company's original response received in 2006 and the Company's updated response received during this examination:

Prior Recommendations:

1. The Company was directed to comply with TENN. CODE ANN. §§ 56-1-501(b) and 56-44-102 by completing and filing its Annual Statements in accordance with the *Annual Statement Instructions* as established by the Commissioner of the TDCI. Such compliance should include, but not be limited to, the reporting of individual reinsurance agreements on separate lines, using the date that the agreement originally went into effect as the effective date for such agreements.

Company's Response:

July 21, 2006 - The Company began reporting each agreement separately on Schedule S with the 2005 Annual Statement filing and will do so in future Annual Statements. During current exam - The Company began reporting each agreement on a single line with the 2005 Annual Statement and has done so in subsequent Annual Statements.

2. The Company was directed to comply with TENN. COMP. R. & REGS. § 0780-1-62-.05 by ensuring that all reinsurance agreements (or amendments to prior reinsurance agreements) that are being used to reduce any liabilities found on the Company's financial statement for any period are either executed by the "as of" date of the financial statement, or that binding letters of intent to enter into such agreements are executed by such "as of" dates.

Company's Response:

July 21, 2006 - The Company will ensure that it complies with this Recommendation in future filings.

During current exam - The Company has instituted controls and procedures to ensure that reinsurance credits have been taken only with respect to agreements for which the agreement or binding letter of intent was executed by the applicable "as of date".

3. The Company was directed to comply with TENN. CODE ANN. § 56-1-411(b) ensuring that the Commissioner, the Commissioner's Deputy and/or any other person appointed by the Commissioner has convenient and free access at its office to all books, records, securities, documents and any and all papers relating to the property, assets, business and affairs of the Company. Such compliance should include, but not be limited to, making any and all necessary changes to the Company's record-keeping system to allow it to track reinsurance premiums, reserves and credits by each individual reinsurance treaty, and should further include making any such necessary changes to the system to allow that all data requested relative to contract loans (including such data as dates, balances, paid-to-date amounts, etc.) may be made readily available upon request.

Company's Response:

July 21, 2006 - The Company will make necessary adjustments to its record keeping systems in order to comply with this Recommendation for future examinations.

During current exam –

Reinsurance (Recommendation # 3): The Company's systems and record keeping processes have been reviewed to ensure that premiums, reserves, credits and other details for each reinsurance treaty can be provided upon request.

Contract loans (Recommendation # 4): Subsequent reviews of this issue by the Company revealed that certain facts were not communicated during the Examination, which apparently led to the issuance of this Recommendation. A request from the Examiner for policy loan detail included some policies which had been acquired from other companies. For these policies the Company did not record certain historic loan information for the period prior to their acquisition by the Company, which was not required for the ongoing administration and servicing of these policies. Obtaining and recording in the Company's systems of this information, including date of loan, original loan value, principle and interest received to date, would have added to the cost and time of conversion of these policies and would have served no benefit. These facts were not available to the Examiner, who concluded that the Company was not able to provide policy loan details it should have had in the LifeComm computer system. In fact, the Company does maintain, in electronic form, up to 10 years of loan history transactions generated by the Company, and will comply with the recommendation to provide policy loan information to the Examiners upon request.

An examination was also made into the following matters:

- Company History
- Growth of Company
- Charter and Bylaws
- Management and Control
- Holding Company System
- Pecuniary Interest of Officers and Directors
- Corporate Records
- Fidelity Bond and Other Insurance
- Employee Benefits and Pension Plans
- Territory and Plan of Operation
- Market Conduct Activities
- Mortality and Loss Experience
- Reinsurance Agreements
- Agreements with Parent, Subsidiaries and Affiliates
- Litigation and Contingent Liabilities
- Statutory Deposits
- Accounts and Records
- Subsequent Events
- Financial Statements

These will be discussed as follows:

COMPANY HISTORY

The Company was incorporated as a legal reserve life insurance company under the laws of the State of Alabama on July 24, 1907. The Certificate of Incorporation was filed for record in the office of the Judge of Probate of Jefferson County, Alabama.

When the Company was organized in July 1907, it had $4,000,000 of authorized capital stock, which consisted of 40,000 shares of $10 par value per share common stock. The Company commenced business September 1, 1907 with paid up capital of $100,000.

On February 3, 1981, the Company caused Protective Corporation to be organized under the laws of the State of Delaware as a wholly owned subsidiary of the Company's subsidiary, Empire General Corporation. Simultaneously, the Company reorganized into a holding company system with Protective Corporation becoming the parent company. On May 20, 1985, Protective Corporation changed its name to Protective Life Corporation (PLC, the Company's parent). The Company redomesticated from Alabama to Tennessee effective December 29, 1992.

Since the date of incorporation, the Company's shareholders have approved a number of amendments to the Certificate of Incorporation changing the amount and par value of the authorized capital stock. An amendment to the Certificate adopted at a special meeting of the shareholders held November 20, 1964 provided that the authorized capital of the Company would be $6,600,000, consisting of 3,300,000 shares of $2 par value common stock. At the annual meeting on May 7, 1979, the shareholders approved an amendment to the Certificate reducing the par value of the common capital stock to $1 per share and increasing the number of authorized shares to 6,600,000. The effect of this action was a two-for-one stock split. On February 2, 1981, 6,000 shares of the stock were retired and canceled.

By written consent of the sole shareholder, PLC, dated November 9, 1981, the Certificate of Incorporation was amended in the form recommended by the Board of Directors changing the authorized capital stock to $5,000,000, consisting of 5,000,000 shares of $1 par value per share common stock.

Over the years, through mergers or bulk reinsurance, the Company has acquired a large number of other insurers. The following transactions occurred during the period of examination:

On July 3, 2006, the Company completed the acquisition contemplated by the Stock Purchase Agreement dated February 13, 2006. Pursuant to that agreement with JPMorgan Chase & Co. ("JPMC") and two of its wholly-owned subsidiaries (collectively, the "Sellers"), the Company and WCL purchased from the Sellers the Chase Insurance Group, which consisted of five insurance companies (and four related non-insurance companies) that manufacture and administer traditional life insurance and annuity products and four related non-insurance companies (which collectively are referred to as the "Chase Insurance Group") for a net purchase price of $873.5 million. The Chase Insurance Group is headquartered in Elgin, Illinois, and offers primarily level premium term and other traditional life products, as well as fixed and variable annuity products.

Immediately after the closing of the acquisition, certain of the acquired companies entered into agreements with Allmerica Financial Life Insurance and Annuity Company ("AFLIAC") and Wilton Reassurance Company and Wilton Reinsurance Bermuda Limited (collectively, the "Wilton Re Group"), whereby AFLIAC reinsured 100% of the variable annuity business of the Chase Insurance Group and the Wilton Re Group reinsured approximately 42% of the other insurance business of the Chase Insurance Group. The aggregate ceding commissions received by the acquired companies from these transactions was $319.8 million, which is approximately $231.7 million on an after tax basis.

During the fourth quarter of 2006, Chase Insurance Life & Annuity Company ("CILAC") transferred 100% ownership of its wholly-owned subsidiary, Chase Insurance Life Company of New York ("CILCNY"), to the Company. The transfer was accounted for as an extraordinary dividend of approximately $41.4 million. Subsequent to this transfer, the Company transferred ownership of CILCNY to WCL in the form of a capital contribution in the amount of $41.4 million.

During the fourth quarter of 2006, an adjustment was noted to the portion of the purchase price allocation (an amount paid by the Company) related to Chase Life & Annuity Company ("CLAC") and Chase Life and Annuity Company of New York ("CLACNY"). In order for this amount to be appropriately reflected on WCL's financial statements, an amount of approximately $1.6 million was shown as a capital contribution from the Company to WCL, with a corresponding increase in gross goodwill on WCL related to the CLAC and CLACNY acquisition.

During the fourth quarter of 2006, WCL transferred ownership of its wholly-owned subsidiary, CLAC, to the Company. The transfer was accounted for as an ordinary distribution (return of surplus) of approximately $21.0 million and in the aggregate, reduced the total contribution made to WCL during 2006.

During the fourth quarter of 2006, the Company received, through a series of dividends from its direct and indirect wholly-owned subsidiaries, Lyndon Insurance Group, Inc. and First Protection Company, a promissory note in the principal amount of $54.0 million. This promissory note arose out of the sale, at fair market value, by First Protection Company to PLC all of the outstanding stock of First Protection Corporation. Subsequent to the receipt of this dividend, the Company declared and paid an ordinary dividend in the form of the $54.0 million note to its sole shareholder, PLC.

Effective January 1, 2007, the Company was merged with its wholly-owned subsidiaries Empire General Life Assurance Corporation and CLAC. The Company remained as the surviving legal entity subsequent to the merger.

Effective April 1, 2007, Chase Insurance Life Company was merged with and into CILAC. Immediately following this merger, CILAC was merged with and into the Company. The Company remained as the surviving legal entity. As a result of this merger, and in accordance with SSAP No. 68, the Company charged approximately $481.7 million of non-admitted goodwill to surplus.

As of December 31, 2009, the Company had authorized capital stock of 5,000,000 shares of common stock with a par value of $1.00 per share, of which all 5,000,000 shares were issued and outstanding for a capital paid up of $5,000,000. All of the outstanding shares were owned by PLC as of the examination date. The Company is a wholly owned subsidiary of PLC, a holding company incorporated in the State of Delaware.

The Company's capital structure appears in the 2009 Annual Statement as follows:

Common capital stock	$ 5,000,000
Gross paid in and contributed surplus	1,061,113,202
Aggregate write-ins for special surplus funds	79,656,807
Unassigned funds (surplus)	1,470,760,924
Total capital and surplus	$2,616,530,933

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination according to its annual statements as filed with the TDCI:

Year	Admitted Assets	Liabilities	Capital and Surplus	Premiums and Annuity Considerations
2005	$18,707,688,277	$17,328,124,543	$1,379,563,733	$1,228,863,622
2006	25,598,180,376	24,209,755,199	1,388,425,176	2,242,206,365
2007	25,800,879,575	24,003,934,989	1,796,944,586	1,509,951,869
2008	25,929,542,749	24,161,839,302	1,767,703,446	2,953,073,487
2009	26,654,687,975	24,038,157,042	2,616,530,933	2,504,635,882

CHARTER AND BYLAWS

Due to the Company being incorporated on July 24, 1907, its Charter has been amended many times since it was originally filed. The Charter of the Company in effect at December 31, 2009, is the Company's amended and restated Charter that was adopted by the Board of Directors on September 2, 2002, which was subsequently filed and recorded with the Tennessee Secretary of State on January 22, 2003.

The general provisions and powers enumerated in the Company's Charter are usual in nature and consistent with corporations of this type. No amendments or restatements were made to the Company's Charter during the period of examination.

The Bylaws of the Company in effect at December 31, 2009 were amended by the unanimous consent of the Board of Directors on December 19, 2002. No amendments or restatements were made to the Company's Bylaws during the period of examination.

The Bylaws provide for an annual shareholders' meeting at which a Board of Directors is elected. Officers are elected by the Board of Directors. The Bylaws are such as generally found in corporations of this type and contain no unusual provisions. They provide for the regulation of the business and for the conduct of the affairs of the Company, the Board of Directors and its shareholders.

Dividends to Stockholders:

The Company declared and paid one cash dividend to its shareholders during the period of examination. The dividend of $54,000,000 was determined to be ordinary based upon its definition as stated in TENN. CODE ANN. § 56-11-106(b)(2). On December 14, 2006, the Company complied with the requirements of TENN. CODE ANN. § 56-11-105(e) by notifying the TDCI of the declaration of the ordinary dividend consisting of a demand promissory note in the principal amount of $54,000,000 to be paid no later than December 31, 2006.

MANAGEMENT AND CONTROL

The Company's Bylaws state that the business and affairs of the corporation shall be managed by a Board of Directors who shall be elected at the annual meeting of the shareholders. Directors need not be residents of the State of Tennessee or shareholders of the corporation. The Company's Bylaws state that the number of directors shall consist of a range from two (2) natural persons to no more than twenty (20) persons as set forth from time to time by resolution of the shareholders. A majority of directors constitutes a quorum.

Directors serve until the next annual meeting of the shareholders and thereafter, until a successor has been elected.

The following persons were duly elected by the shareholders on June 8, 2009, and were serving as members of the Board of Directors as of December 31, 2009:

Name	Title:
John D. Johns	President & Chief Executive Officer
Richard J. Bielen	Vice-Chairman & Chief Financial Officer
Carolyn M. Johnson	Executive Vice President

The Company's Bylaws require that an annual meeting of the shareholders be held for the purpose of electing directors and for such other business shall be held at its administrative office unless some other place, either within or without the State of Alabama, and shall be held during the first six months of each year.

The Bylaws allow any action required or permitted to be taken at a meeting of the Board, or of any committee thereof, to be taken without a meeting, if prior to such action a written consent thereto is signed by all Board or committee members and such written consent is filed with the minutes of proceedings. Such consent shall have the same force and effect as a vote at a meeting. Any or all of the stockholders, directors, or committee members may participate in meetings by means of conference telephone or similar communication equipment.

The Bylaws provide that the officers of the corporation shall consist of a President and Secretary and, as deemed appropriate by the Board of Directors, such other officers or assistant officers, including Chairman of the Board, one (1) or more Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Second Vice Presidents, a Treasurer, one (1) or more Assistant Secretaries and Assistant Treasurers and such other officers and assistant officers as deemed necessary by the Board of Directors. Officers need not be Directors or shareholders of the corporation.

ARTICLE IV of the Company's Bylaws state that, "Any two or more offices may be held by the same person." This statement does not comply with language found in TENN. CODE ANN. § 48-18-401(d) which states, "The same individual may simultaneously hold more than one (1) office in a corporation, except the offices of president and secretary." It is recommended that the Company amend its Bylaws to become in compliance with language found in TENN. CODE ANN. § 48-18-401(d) concerning its officers and the positions they may hold.

The following senior persons were duly elected by the Board of Directors on June 8, 2009, and were serving as officers of the Company as of December 31, 2009:

Name:	**Title:**
John D. Johns	Chairman, President and Chief Executive Officer
Richard J. Bielen	Vice Chairman and Chief Financial Officer
Carolyn M. Johnson	Executive VP and Chief Operating Officer
Deborah J. Long	Executive VP, Secretary and General Counsel
Carl S. Thigpen	Executive VP and Chief Investment Officer
Lance P. Black	Senior VP and Treasurer
Mark Cyphert	Senior VP and Chief Information Officer
John B. Deremo	Senior VP and Chief Distribution Officer
Brent E. Griggs	Senior VP, Asset Protection Division
Kevin J. Howard	Senior VP and Chief Product Actuary, LAD
Nancy Kane	Senior VP and Senior Associate Counsel
M. Scott Karchunas	Senior VP, Sales and Marketing, APD
Carolyn King	Senior VP, Acquisitions and Corporate Development
Phillip E. Passafiume	Senior VP, Director of Fixed Income
Charles M. Prior	Senior VP, Mortgage Loans
Wayne E. Stuenkel	Senior VP and Chief Actuary
Steven G. Walker	Senior VP and Chief Accounting Officer
Judy Wilson	Senior VP, Stable Value Products

The Board of Directors may designate, establish and charter such committees as it deems necessary or desirable. Such committees shall have and exercise only that authority of the Board delegated to it by the resolution creating such committee.

The following is a list of committees and the members of the committees at December 31, 2009:

Audit Committee:
John D. Johns
Richard J. Bielen
Carolyn M. Johnson

Executive Committee:
John D. Johns
Richard J. Bielen

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined by TENN. CODE ANN. § 56-11-101, and as such, is subject to the "Insurance Holding Company System Act of 1986," set forth in TENN. CODE ANN. § 56-11-101, *et seq.* The Company is a wholly owned subsidiary of Protective Life Corporation ("PLC"), a holding company incorporated in Delaware and whose stock is traded on the New York Stock Exchange (Symbol: PL). PLC is the ultimate parent of the Company. PLC files a Holding Company Registration Statement annually as required by TENN. CODE ANN. § 56-11-105. An organizational chart is included at the end of this report.

Wholly owned insurance subsidiaries of the Company as of December 31, 2009 included Protective Life and Annuity Insurance Company ("PLAIC"), Golden Gate Captive Insurance Company ("GGCIC"), Golden Gate II Captive Insurance Company ("GGIICIC"), Tower Captive Insurance Company ("TCIC"), West Coast Life Insurance Company ("WCL"), Citizens Accident and Health Insurance Company ("CAH"), and Lyndon Property Insurance Company ("LPIC"). The Company also owns three investment companies, Protective Finance Corporation ("PFC"), Protective Finance Corporation II, and Protective Finance Corporation IV, and four non-insurance and non-investment subsidiaries Western Diversified Services, Inc. ("WDS"), PMG Securities Corporation, Investors Brokerage Services, Inc. and Lyndon Insurance Group, Inc. ("Lyndon").

PECUNIARY INTEREST OF OFFICERS AND DIRECTORS

The Company is required to comply with TENN. CODE ANN. § 56-3-103 prohibiting officers and directors of insurance companies from being pecuniarily interested in the investment or disposition of funds of a domestic insurance company. PLC and all its subsidiaries have adopted a Business Ethics 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, and it requires that all directors and management employees report once each year all information required to be reported herein and such other information as may be relevant to determine the existence or likely development of a significant conflict of interest.

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. All reports and certifications by employees shall be submitted to PLC's Chief Executive Officer (CEO), and the CEO's report and those of directors shall be submitted to the Audit Committee Chairman. The Audit Committee Chairman and the CEO shall report to the Board of Directors all disclosed conflicts of interest at the meeting immediately following such disclosures.

The conflict of interest statements filed by PLIC's directors, officers and responsible employees in each year of the examination period were reviewed. No conflicts were noted.

CORPORATE RECORDS

The minutes of meetings of the Company's shareholders, Board of Directors, and committees were reviewed for the period under examination. They were found to be complete as to necessary detail and appear to adequately reflect the acts of the respective bodies. The review of the minutes indicates that all investment transactions were approved by the Board.

FIDELITY BOND AND OTHER INSURANCE

The Company is listed as a named insured on a Financial Institution Bond carried by PLC. Other insurance policies were reviewed and the Company is listed as a named insured on the following insurance coverages maintained by PLC at December 31, 2009:

Commercial General Liability	Commercial Property Liability
Errors and Omissions Liability	Business Automobile Liability
Mortgage Errors and Omissions	Commercial Umbrella Liability
Worker's Compensation	Directors and Officers Liability
Electronic Data Processing	Foreign Package
Difference in Conditions	Fiduciary Liability
Employment Practices Liability	Financial Institution Bond

The Company's fidelity coverage is in excess of the suggested minimum amount per the *NAIC Financial Condition Examiners Handbook*. The bonds and policies affording the aforementioned coverages were inspected and appear to be in-force as of the date of this examination. All of the above policies were issued by companies licensed to transact business in the State of Tennessee or by authorized surplus lines insurers. Similar coverage was in effect as of the date of this examination report.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company receives certain management, administrative and general services from Protective Life Corporation (PLC) in accordance with the Administrative Services Agreement that is described later in the report under the heading Agreements with Parent, Subsidiaries and Affiliates. PLC provides its employees and employees of its subsidiaries with life insurance, medical insurance, disability insurance, dental insurance, 401(k) and stock ownership and pension plans.

TERRITORY AND PLAN OF OPERATION

Territory:

The Company is a stock for-profit life insurer licensed to transact business in all states except New York, and is licensed in the District of Columbia, American Samoa, Guam, Puerto Rico, Commonwealth of the Northern Marina Islands and the U.S. Virgin Islands. Certificates of Authority granted by the licensed states were reviewed and found to be in force at year-end 2009.

Plan of Operation:

The Company manufactures and distributes products that enhance the financial security of its policyholders. Its product offerings include:

- Level-premium term life insurance, offering guaranteed periods of between 10 and 30 years
- Universal life insurance, including both accumulation-focused and protection-focused products
- Individual annuities, including single premium deferred annuities, immediate annuities, market-value adjusted annuities, and variable annuities
- Funding agreements and guaranteed investment contracts
- Credit life and disability insurance

These products are sold through a variety of distributors, including independent agents, banks, and broker dealers.

The Company's insurance operations are conducted through four marketing divisions: Life and Annuity Division (LAD), Stable Value Products Division, Asset Protection Division (APD), and the Acquisition Division. Generally, the divisions conduct business through the Company as well as through the Company's subsidiaries and affiliates.

LAD markets life insurance products (term life, universal life and whole life) through a traditional independent personal producing general agent or individual agent distribution. The Benefit Plans Group of LAD markets life, cancer and critical care insurance products through a payroll deduction at the worksite. The Institutional Distribution Group of LAD markets fixed and variable life and annuities through a broker/dealer, which is very similar to the individual agent distribution. In addition, the Company utilizes direct marketing techniques using telephones and other mass media, to sell term life insurance primarily. Interested persons contact the Company through call centers staffed by licensed and appointed agents who handle the application process.

The Stable Value Products Division markets guaranteed investment contracts to 401(k) and other qualified retirement savings plans. It also offers related products, including fixed and variable funding agreements offered to the trustees of municipal bond proceeds, bank trust departments, and money market funds, and long-term annuity contracts offered to fund certain state obligations.

APD markets credit life/disability insurance, extended service contracts and GAP coverage that offer consumers protection against unwanted losses after purchasing and financing major consumer assets. The Company offers these products and services through automobile, marine, recreational vehicle, and power sports dealers.

The Acquisition Division acquires blocks of policies from other insurance companies.

The Company intends to carry strong financial strength ratings, be prudently capitalized, and grow its book of business over time.

MARKET CONDUCT ACTIVITIES

In accordance with the policy of the TDCI, a market conduct review was made of the Company as of December 31, 2009, in conjunction with this examination. The following items were addressed:

Underwriting and Rating:

The Company utilizes the underwriting manual of Swiss Re Life & Health America, Inc., its primary reinsurer, to assess and classify life insurance risks. The underwriting tools provided by the Swiss Re website were examined as part of the examination and found to be a reliable underwriting source. The Swiss Re website provides underwriting tools that are frequently updated based on current statutory requirements. The Company's use of this underwriting source, results in a uniform and efficient determination of acceptable risk.

In the examination of the Company's underwriting procedures and policy administration, policy files for open and closed polices for both life and annuity contracts were reviewed in accordance with statutory requirements of TENN. CODE ANN. § 56-8-104, TENN. COMP. R. & REGS. § 0780-1-34, and established Company guidance. Seventy-eight (78) life contracts and fifty-two (52) annuity contracts were selected to review. In the examination of these contracts, there were no instances of unfair methods of competition or unfair or deceptive acts found. Underwriting procedures and policy administration conducted by the Company appear to be in compliance with established Company guidance.

Policy Forms and Filings:

The examiners reviewed a sample of the policy forms that were used by the Company during the period of examination. All forms reviewed were noted without exception as having been filed with the TDCI prior to their use in accordance with TENN. CODE ANN. § 56-7-2311 (a). The filings are consistent in form and include appropriate documentation.

Advertising:

In the examination of Company advertising, forty-nine (49) advertising items were selected for examination that included print and internet materials, and power point presentations issued by the Company to target consumers, agents, brokers and financial institutions. Advertising items were examined in accordance with TENN. CODE ANN. § 56-8-104 (1) and the NAIC Market Regulation Handbook (*Chapter 16 - Marketing and Sales*) and were found to be in compliance.

The Company was found to have strong controls in place for the production and use of all advertising materials with only company approved materials authorized for use.

In the examination of the Company's Advertising Log, the log was found to have identified all of the advertising used by the Company marketing materials used in Tennessee during the period from January 1, 2005 to December 31, 2009 with each record showing when each version of each advertisement was first used, when it was discontinued, and in which markets each advertisement was used.

Policyholder Complaints:

The Company maintains a complaint register as required by various state Unfair Trade Practices Acts and the register and the accompanying files are maintained for a minimum of five years in accordance with statutory requirements. The Company's complaint procedures and complaint register were examined in accordance with requirements of TENN. CODE ANN. § 56-8-104 (11) and the NAIC 2009 Market Regulation Handbook and were found to be in full compliance.

A sample of 33 Company complaint files was selected for examination. The average complaint processing time for the sample was 15.33 days; and if two complaints in the sample that required additional legal and outside consultation are removed from the sample the average processing time would be reduced to 11.77 days. The average complaint processing time is reasonable and in compliance with statutory time limits of various states.

Claims Review:

Twenty Six (26) Company claims open and unpaid as of the examination date were examined for adequacy of the Company's claim process in accordance with TENN. CODE ANN. § 56-8-105 and requirements listed in Chapter 16 (Claim Standards) of the NAIC 2009 Market Regulation Handbook.

- In the review of each file, beneficiary changes were traced from the date of issue to date of death with final payment made by the Company in all cases without error.

- In the review of all file material Company actions and dates were readily ascertained.

- Company calculations of benefits payable including any adjustment for policy loans, loan interest, premium refunds and interest payments were found to be well documented and accurate.

- Claims in the sample were properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations with the average payment processing time being 9.67 calendar days.

MORTALITY AND LOSS EXPERIENCE

Life:

The mortality experience on ordinary and group life, including related benefits, as developed from applicable amounts included in the Company's annual statements filed with the TDCI for the years indicated were as follows:

	2009	2008	2007	2006	2005
Ordinary Life					
Net Death Benefits Incurred	339,615,666	252,780,424	231,494,045	150,264,334	148,404,081
Less - Reserves Released by Death	12,363,038	14,743,324	11,871,803	7,226,742	5,798,224
Actual Death Benefits Incurred	327,252,628	238,037,100	230,306,862	143,037,592	142,605,857
Expected Mortality	470,233,070	270,371,470	669,698,628	183,991,021	366,326,216
Mortality Experience Ratio	.6959	.8804	.3439	.7774	.3893
Group Life					
Net Death Benefits Incurred	2,012,225	1,738,139	2,952,420	1,236,853	1,734,052
Less - Reserves Released by Death	29,920	81,642	103,124	87,589	262,514
Actual Death Benefits Incurred	1,982,305	1,656,497	2,849,296	1,149,264	1,471,538
Expected Mortality	3,342,935	2,123,257	908,700	345,055	1,172,067
Mortality Experience Ratio	.5930	.7802	3.1356	3.3307	1.2555

A&H:

The loss ratios on the Company's group, Credit and Guaranteed Renewable business for the years indicated were as follows:

Group A&H	2009	2008	2007	2006	2005
Net Incurred Claims	1,723,288	609,533	841,510	(345,628)	2,475,029
Net Premiums Earned	788,116	1,108,561	1,284,479	1,520,013	2,321,950
Loss Experience Ratio	2.1866	.5498	.6551	(.2274)	1.0659

Credit A&H					
Net Incurred Claims	227,985	(971,134)	1,588,142	987,305	2,976,128
Net Premiums Earned	5,573,405	814,159	(405,178)	1,919,786	(113,514)
Loss Experience Ratio	.0409	(1.1928)	(3.9196)	.5143	(26.2182)
Guaranteed Renewable A&H					
Net Incurred Claims	25,026,174	23,016,981	23,833,932	28,376,995	34,838,608
Net Premiums Earned	24,319,033	26,779,308	28,095,342	29,604,495	31,989,534
Loss Experience Ratio	1.0291	.8595	.8483	.9585	1.0891

REINSURANCE AGREEMENTS

The Company routinely assumes and cedes reinsurance with other insurance companies. The reinsurance operations of the Company are divided into the categories of life, accident and health, and credit (Asset Protection Division).

A general summary of the Company's reinsurance program is listed below.

Life

Term Insurance:

As of 1/1/2005:

- On a coinsurance basis with 3rd party reinsurers
- 10% first dollar quota share retention up to a $500,000 retention limit graded by age and substandard ratings
- Graded $20M automatic binding limit
- $35M jumbo limit

As of 8/1/2005 (after being 100% coinsured to Golden Gate Captive Insurance Company, an affiliate):

- On a YRT basis with 3rd party reinsurers
- Excess share with $1M retention limit graded by age and substandard ratings
- Graded $25M automatic binding limit
- $35M jumbo limit

As of 1/14/2008:

- On a YRT basis with 3rd party reinsurers
- Excess share with $2M retention limit graded by age and substandard ratings
- Graded $25M automatic binding limit
- $35M jumbo limit

As of 11/10/2008 to present:

- On a YRT basis with 3rd party reinsurers
- Excess share with $2M retention limit graded by age and substandard ratings
- Graded $40M automatic binding limit
- $50M jumbo limit

Universal Life Insurance:

As of 1/1/2005:

- On a YRT basis with 3rd party reinsurers
- 10% first dollar quota share retention up to a $750,000 retention limit graded by age and substandard ratings
- Graded $20M automatic binding limit
- $35M jumbo limit

As of 12/1/2006:

- On a YRT basis with 3rd party reinsurers
- Except for Centennial G NLG UL - 10% first dollar quota share retention up to a $750,000 retention limit graded by age and substandard ratings
- Centennial G NLG UL - 10% first dollar quota share retention up to a $1M retention limit graded by age and substandard ratings
- Except for Centennial G NLG UL - Graded $20M automatic binding limit
- Centennial G NLG UL - Graded $25M automatic binding limit
- $35M jumbo limit

As of 9/15/2008 (ProValue UL only):

- On a YRT basis with 3rd party reinsurers
- 10% first dollar quota share retention up to a $2M retention limit graded by age and substandard ratings
- Graded $40M automatic binding limit
- $50M jumbo limit

As of 11/3/2008 to present:

- On a YRT basis with 3rd party reinsurers
- 10% first dollar quota share retention up to a $2M retention limit graded by age and substandard ratings
- Graded $40M automatic binding limit
- $50M jumbo limit

Credit (Asset Protection Division):

The Asset Protection Division (ADP) offers auto, marine and RV extended service contracts, GAP and credit insurance. Credit insurance includes credit life and credit disability written on the Company's paper throughout the nation. Distribution channels include automobile dealers and financial institutions. These products are marketed by a direct sales force, general agents and outside administrators. APD is headquartered in St. Louis with a Protective credit insurance administrative office in Los Angeles and an outside administrator in Florida.

The Company reinsures a significant portion of credit business through producer controlled, unauthorized reinsurance companies. In many of these reinsurance arrangements, 100% of written premium is ceded to the reinsurer. Ceded reserves are secured by custodial agreements, letters of credit or by funds withheld. A substantial portion of APD business not reinsured with producer controlled reinsurance companies is ceded to RGA Reinsurance Company on a coinsurance basis.

Trust Agreements

All unauthorized reinsurers have executed trust agreements with the Company and report amounts held under these agreements to secure the Company's reinsurance recoverables and reserve credits at December 31, 2009.

Transactions with Affiliates

Effective 4/18/2005, the Company reinsured certain annuities from West Coast Life, an affiliate, under a coinsurance treaty.

Effective as of 8/1/2005 until 12/31/2007, the Company and Empire General reinsured a portion of term life insurance business to Golden Gate Captive, an affiliate, under two separate coinsurance treaties. Empire General merged into the Company as of 1/1/2007 with the Company remaining as the surviving legal entity.

Effective as of 12/1/2006, CILAC and CILC reinsured a portion of term life insurance business to Golden Gate Captive, an affiliate, under two separate coinsurance treaties. Chase Insurance Life &Annuity and Chase Insurance Life merged into the Company as of 4/1/2007, with the Company remaining as the surviving legal entity.

Effective as of 7/1/2007, the Company entered into an agreement to reinsure certain universal life insurance policies with secondary guarantees on a combination coinsurance and modified coinsurance basis with Golden Gate II Captive Insurance Company, an affiliate.

Effective as of 12/30/2008, the Company entered into an agreement to reinsure certain term life insurance liabilities from Golden Gate an affiliate, on a monthly renewable term basis.

Effective as of 12/30/2008, the Company entered into an agreement to reinsure certain term life insurance liabilities from West Coast Life, an affiliate, on a monthly renewable term basis.

The Company's significant reinsurance agreements are summarized below.

Assumed Reinsurance with Affiliates

Golden Gate Captive Insurance Company

Effective Date:	December 30, 2008
Description:	An monthly renewable term retrocession agreement whereby the company assumes a portion of Golden Gate's liability for graded premium temporary or term life insurance policies with guaranteed premiums during the level premium period directly underwritten and issued by the Company.
Maximum Ceded Amounts:	100% of policy liabilities

West Coast Life Insurance Company

Effective Date:	December 30, 2008
Description:	A monthly renewable term agreement whereby the company assumes specified individual term risks.
Maximum Ceded Amounts:	100% of policy liabilities

Ceded Reinsurance with Affiliates

Golden Gate Captive Insurance Company

Effective Date:	August 1, 2005
Description:	A 100% automatic and facultative coinsurance agreement for graded premium temporary or term life insurance policies with guaranteed premiums during the level premium period directly underwritten and issued by the ceding company.

Assumed Reinsurance with Non-Affiliates

Kemper Investors Life Insurance Company

Effective Date:	May 29, 2003
Description:	An automatic coinsurance agreement whereby the company assumes certain life and disability risks.
Maximum Ceded Amounts:	100% of policy liabilities

Ceded Reinsurance with Non-Affiliates

American United Life Insurance Company

Effective Date:	July 1, 1997
Description:	A first dollar quota share agreement for individual term risks whereby the company cedes risks to reinsurer
Maximum Ceded Amounts:	90% of ceding company exposures

The Canada Life Assurance Company

Effective Date:	December 1, 2002
Description:	An automatic and facultative coinsurance agreement for certain individual term risks whereby the company cedes risks to reinsurer.
Maximum Ceded Amounts:	90% of policy liabilities

Employers Reassurance Corporation

Effective Date:	March 13, 2002
Description:	A facultative quota share group critical illness treaty whereby the company cedes risks to reinsurer.
Maximum Ceded Amounts:	90% of policy liabilities

Generali USA Life Reassurance Company

Effective Date:	December 1, 2002
Description:	An automatic and facultative coinsurance agreement for certain individual term risks whereby the company cedes risks to reinsurer.
Maximum Ceded Amounts:	90% of policy liabilities

Munich American Reassurance Company

Effective Date:	January 1, 2005
Description:	An automatic and facultative yearly renewable term agreement for individual life risks whereby the company cedes risks to reinsurer.
Retention Amounts:	10% of policy liabilities

SCOR Life U.S. Re Insurance Company

Effective Date:	January 1, 2002
Description:	An automatic and facultative coinsurance agreement for certain term risks whereby the company cedes risks to reinsurer.
Retention Amounts:	30% of policy liabilities effective December 1, 2002 (10% of policy liabilities prior to December 1, 2002)

Scottish Re (U.S.) Inc.

Effective Date:	March 1, 2003
Description:	An automatic and facultative coinsurance agreement for selected term risks originally written by Empire General.
Maximum Ceded Amounts:	75% of policy liabilities

Security Life of Denver Insurance Company (part of ING Reinsurance)

Effective Date:	December 1, 2002
Description:	An automatic and facultative coinsurance agreement for individual life risks wherein the company cedes risks to reinsurer.
Maximum Ceded Amounts:	90% of policy liabilities

Swiss Re Life & Health America Inc.

Effective Date:	January 1, 2000
Description:	An automatic coinsurance agreement for various specified term policies originally written by Empire General.
Maximum Ceded Amounts:	27% - 69.3% of policy liabilities

Effective Date:	January 1, 2000
Description:	An automatic coinsurance agreement for various specified individual term policies.
Maximum Ceded Amounts:	10% - 30% of the net amount at risk

XL Life Ltd.

Effective Date:	October 1, 2000
Description:	An automatic and facultative yearly renewable term agreement for selected term risks originally written by Empire General.
Maximum Ceded Amounts:	30% of policy liabilities for most policies; 50% of policy liabilities for Select Preferred policies

Effective Date:	January 1, 2000
Description:	An automatic and facultative yearly renewable term agreement for selected term policies.
Maximum Ceded Amounts:	40% of policy liabilities

Unearned Ceding Commission

Nearly all of the Company's reinsurance agreements cede premiums on a written basis, and therefore, in the event of termination, the Company would be obligated to return any unearned ceding commissions to the reinsurers. However, all of the agreements provide that in the event of termination, the reinsurance continues to apply to all policies in force until their expiry or cancellation in the normal course of business. That is, there is no return of premium or ceding commission at the termination of an agreement because the policies continue in full force. Also, most of the Company's reinsurance agreements provide that ceding commissions be paid based on net premiums; that is, on written premiums less the return premiums (those that are cancelled by policyholders prior to the end of the policy period), and the agreements provide for monthly settlements, including any return premiums and any associated ceding commissions, by offset. Therefore, the Company is deemed to have no ultimate liability for unearned ceding commissions.

SSAP #61 states that if the reinsurance agreements contain "a persistency guarantee which provides for return of the excess commission, the ceding entity must record the excess commission as a liability." None of the Company's reinsurance agreements reviewed contain such persistency guarantees.

Other Considerations

All of the Company's reviewed active reinsurance agreements were found to contain such language as recommended by the NAIC and as required for reinsurance credit by TENN. CODE ANN. § 56-2-207(a)(2). All agreements also appear to effectuate proper transfer of risk in accordance with SSAP No. 61 and NAIC guidelines.

It was noted during the period of this exam, that the Company began the use of "interim" reinsurance agreements. These agreements were reported in the Company's Annual Statements. However, some of these "interim" reinsurance agreements do not include language required by TENN. CODE ANN. § 56-2-207. The Company has since discontinued the practice of utilizing "interim" reinsurance agreements. It is recommended that the Company comply completely with TENN. CODE ANN. § 56-2-207 with all its reinsurance agreements, whether "interim" or not.

AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

The Company had many agreements with affiliated companies in effect as of December 31, 2009. The following are summaries of four (4) significant agreements in effect as of this examination date of the Company:

Administrative Services Agreement with Protective Life Corporation (PLC):

Effective October 1, 1988, members of the holding company, which includes the Company, entered into an Administrative Services Agreement with PLC. According to the terms and provisions of the Agreement, PLC agrees to provide the Company with certain administrative services for its internal operations and processing of its insurance business. Such services include managerial and administrative support, equipment, office space, marketing, product support, and such other services as may be required.

Certain services necessary to the Company's business are provided by PLC pursuant to the Agreement. The costs are to be accumulated and settled monthly.

Transactions under the Agreement for Services were reviewed for compliance with the Agreement and charges appear to be commensurate with services rendered. The Agreement was determined to satisfy the requirements of TENN. CODE ANN. § 56-11-106(a)(1).

Investment Services Agreement with PLC:

Effective July 2, 1981, the Company entered into an Investment Services Agreement with PLC, which was amended on September 2, 1982 and again on January 4, 1983.

According to the terms and provisions of the Agreement, PLC agrees to provide the Company with certain investment services. Such services include research and analysis, purchases and sales, collection and transmission of funds, management of investments and reinvestments, maintenance of investment transactions, preparation of accounting records and any other required reports and services as may be required. Fees for services shall be computed and settled monthly.

Transactions under the Agreement for services were reviewed for compliance with the Agreement and charges appear to be commensurate with services rendered. The Agreement was determined to satisfy the requirements of TENN. CODE ANN. § 56-11-106(a)(l).

Federal and State Income Tax Allocation Agreement with PLC and Affiliates:

Effective January 1, 1988, the Company entered into a Consolidated Tax Allocation Agreement with their ultimate parent, PLC, and other affiliated companies. The agreement was amended on October 11, 2004, which was approved by the TDCI on November 9, 2004.

The Agreement states the Company has elected through the provisions of the Internal Revenue Code to be included in its ultimate parent's (PLC) consolidated tax return.

The Agreement states the Consolidated Group elects to file their federal income tax return pursuant to elections under certain stated Sections of the Internal Revenue Code of 1986. The consolidated tax liability is allocated to each member of the consolidated group based upon the percentage of each member's tax computed on a separate return basis to the total tax as computed for all members. In lieu of actual payments, adjustments to intercompany payables and receivables will be made if such exist on the Company's books. Transactions under the Tax Allocation Agreement were reviewed for compliance with the Contract with no exceptions.

Transactions under the Agreement for services were reviewed for compliance with the Agreement and charges appear to be commensurate with services rendered. The Agreement was determined to satisfy the requirements of TENN. CODE ANN. § 56-11-106(a)(l).

Legal Services Agreement with PLC:

Effective January 1, 2004, the Company entered into an Agreement for Legal Services with PLC that was approved by the TDCI on October 12, 2004. PLC agrees to provide legal services for the Company including but not limited to general corporate legal work, insurance related legal work, administrative and other regulatory work, litigations supervisions and contracts.

Charges for all legal services shall be the standard rates as promulgated by PLC's Legal Department. These rates shall be set forth in a written rate schedule and provided to the Company. Transactions under the Legal Services Agreement were reviewed for compliance with the Contract with no exceptions.

Transactions under the Agreement for services were reviewed for compliance with the Agreement and charges appear to be commensurate with services rendered. The Agreement was determined to satisfy the requirements of TENN. CODE ANN. § 56-11-106(a)(1).

LITIGATION AND CONTINGENT LIABILITIES

During the period of examination and as of December 31, 2009, the Company is a party to various pending legal proceedings arising in the ordinary course of business. Based in part upon the opinion of its counsel as to the ultimate disposition of such lawsuits and claims, Company management believes that the liability, if any, resulting from the disposition of such proceedings will not be material to the Company's financial condition or results of operations.

During the period of examination and as of December 31, 2009, the Company has entered into a number of contingent commitments and guarantees. Please refer to the Company's 2009 Annual Statement, Notes to Financial Statements, Notes 10(E), 12, 14, 15, and 16 for a description of the contingent commitments and guarantees the Company has entered into as of December 31, 2009.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the named jurisdictions or custodians as of December 31, 2009.

The following are deposits with states where special deposits are for the benefit of all policyholders, claimants, and creditors of the Company:

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value (Dollars)
Georgia – Department of Insurance	Evergreen Inst. Money Market Treasury Fund CUSIP# 299920439	$61,500	$61,500	$61,500
North Carolina – Department of Insurance	First American Treasury Oblig. Fund CUSIP# 31846V419	825,000	825,000	825,000
Tennessee - Department of Insurance	US Treasury Notes 4.50%, Due 9-30-2011 CUSIP# 912828FU9	313,808	318,070	300,000
	US Treasury Notes 4.50%, Due 11-30-11 CUSIP# 912828GA2	1,286,468	1,330,957	1,250,000

Virginia - Department of Insurance	US Treasury Notes 3.875%, Due 02-05-13 CUSIP# 912828AU4	99,839	106,500	100,000
American Samoa - Department of Insurance	Bank CD 3.85%, Due 08-25-12, CD #271-30009	50,000	50,000	50,000
Guam - Department of Insurance	Bank CD 1.30%, Due 04-05-15, CD #6235782	50,000	50,000	50,000
	Sub-Total	**$2,686,615**	**$2,742,027**	**$2,636,500**

The following are deposits with jurisdictions where special deposits are **not** for the benefit of all policyholders, claimants, and creditors of the Company:

Jurisdiction	**Description of Security**	**Book/Adjusted Carrying Value**	**Fair Value**	**Par Value (Dollars)**
Arizona - Department of Insurance	US Treasury Notes 1.375%, Due 05-15-12 CUSIP# 912828KP4	$549,430	$550,000	$550,000
Arkansas – Department of Insurance	US Treasury Notes 4.50%, Due 11-30-11 CUSIP# 912828GA2	2,675,854	2,768,392	2,600,000
Colorado – Department of Insurance	US Treasury Notes 1.375%, Due 05-15-12 CUSIP# 912828KP4	99,896	100,000	100,000
	US Treasury Notes 4.50%, Due 11-30-11 CUSIP# 912828GA2	10,292	10,648	10,000
Georgia - Department of Insurance	US Treasury Notes 4.50%, Due 9-30-2011 CUSIP# 912828FU9	73,222	74,216	70,000
	US Treasury Notes 4.50%, Due 11-30-11 CUSIP# 912828GA2	586,630	606,917	570,000
Indiana - Department of Insurance	US Treasury Notes 4.50%, Due 11-30-11 CUSIP# 912828GA2	1,029,175	1,064,766	1,000,000
	US Treasury Notes 1.375%, Due 05-15-12 CUSIP# 912828KP4	34,964	35,000	35,000

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value (Dollars)
Massachusetts - Department of Insurance	US Treasury Notes 4.50%, Due 11-30-11 CUSIP# 912828GA2	771,880	798,574	750,000
Missouri - Department of Insurance	US Treasury Notes 1.375%, Due 05-15-12 CUSIP# 912828KP4	609,368	610,000	610,000
Montana - Department of Insurance	US Treasury Notes 1.375%, Due 05-15-12 CUSIP# 912828KP4	1,997,929	2,000,000	2,000,000
	US Treasury Notes 4.50%, Due 9-30-2011 CUSIP# 912828FU9	523,013	530,117	500,000
New Hampshire - Department of Insurance	US Treasury Notes 4.50%, Due 11-30-11 CUSIP# 912828GA2	102,917	106,477	100,000
New Mexico - Department of Insurance	US Treasury Notes 1.375%, Due 05-15-12 CUSIP# 912828KP4	74,922	75,000	75,000
	US Treasury Notes 4.50%, Due 11-30-11 CUSIP# 912828GA2	61,750	63,886	60,000
North Carolina - Department of Insurance	US Treasury Notes 4.50%, Due 11-30-11 CUSIP# 912828GA2	771,881	798,574	750,000
	US Treasury Notes 1.375%, Due 05-15-12 CUSIP# 912828KP4	589,389	590,000	590,000
Oklahoma - Department of Insurance	US Treasury Notes 4.50%, Due 11-30-11 CUSIP# 912828GA2	329,336	340,725	320,000
Texas - Department of Insurance	US Treasury Notes 4.50%, Due 9-30-2011 CUSIP# 912828FU9	533,474	540,719	510,000
Virgina - Department of Insurance	US Treasury Notes 1.375%, Due 05-15-12 CUSIP# 912828KP4	269,720	270,000	270,000

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value (Dollars)
	US Treasury Notes 1.375%, Due 05-15-12 CUSIP# 9128276J6	130,384	134,332	130,000
Puerto Rico - Department of Insurance	Puerto Rico Commonwealth, 4.5%, Due 07-01-23 CUSIP# 745145GB2	493,035	455,940	500,000
	Puerto Rico Electric Power, 5.25%, Due 07-01-14 CUSIP# 7452684T6	513,662	521,232	480,000
U.S. Virgin Islands - Department of Insurance	US Treasury Notes 4.50%, Due 11-30-11 CUSIP# 912828GA2	514,587	532,383	500,000
	Sub-Total	**$13,346,710**	**$13,577,898**	**$13,080,000**
	Grand-Total	**$16,033,325**	**$16,319,925**	**$15,716,500**

Deposits with said jurisdictions or custodians were verified by direct correspondence with the custodians of such deposits.

ACCOUNTS AND RECORDS

During the period under examination, former TENN. COMP. R. & REGS. § 0780-01-65-.07(3),[1] which was amended on November 4, 2009, stated that no partner or other person responsible for rendering a report by a certified public accounting firm may act in that capacity for more than seven (7) consecutive years. The Company is audited annually by PriceWaterhouseCoopers, LLP, in Birmingham, Alabama and is in compliance with this regulation.

1. TENN. COMP. R. & REGS. § 0780-01-65 was amended effective November 4, 2009. TENN. COMP. R. & REGS. § 0780-01-65-.08(4) currently states that no partner or other person responsible for rendering a report by a certified public accounting firm may act in that capacity for more than five (5) consecutive years; however, pursuant to TENN. COMP. R. & REGS. § 0780-01-65-.18(5), TENN. COMP. R. & REGS. § 0780-01-65-.08(4) did not become effective until January 1, 2010.

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to confirm values for assets and liabilities appearing in the Company's financial statements. All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. The Company's risk-based capital filings were reviewed and a sample was tested for correctness. These test checks and reviews revealed no material discrepancies.

SUBSEQUENT EVENTS

Summary list of some Significant Subsequent Events:

This Company is quite active with acquisitions, so this list is not meant to be all inclusive, but is meant to list some of the most significant subsequent events that have occurred since this examination's as of date (December 31, 2009):

1. Formation of Golden Gate III as a wholly-owned captive life Company on April 23, 2010 (see Note 10, page 7.1, in PLIC's 2Q2010 Stat Financial Statements for details).
2. Approval of merger of Citizens Accident and Health Insurance Company into PLIC (see Note 21, page 7.3, in Citizens 2Q2010 Stat Financial Statements for details).
3. Approval of payment of $250 million dividend from Golden Gate to PLIC (see Note 10, page 7.2, in PLIC's 2Q2010 Stat Financial Statements for details).
4. Plan to dissolve a Tower Captive Insurance Company (a wholly-owned subsidiary of PLIC). (See Note 21, page 7.5, in PLIC's 2Q2010 Stat Financial Statements for details).
5. Announcement of the Company's plan to purchase United Investors Life Insurance Company from Liberty National Life Insurance Company with an estimated close date of 12/31/2010.

Financial Statement

There follows a statement of assets, liabilities and a summary of operations as of December 31, 2009, together with a reconciliation of capital and surplus for the period under review, as established by this examination.

Assets

	Assets	Non-Admitted Assets As a Result of the Exam	Net-Admitted Assets
Bonds	$14,740,702,927		$14,740,702,927
Preferred Stocks	160,088,284		160,088,284
Common Stocks	1,478,679,257		1,478,679,257
Mortgage loans on real estate:			
First liens	1,578,205,315		1,578,205,315
Real Estate:			
Properties occupied by the Company	21,965,082		21,965,082
Properties held for the production of income	275,000		275,000
Properties held for sale	6,359,151		6,359,151
Cash and Cash Equivalents	586,030,285		586,030,285
Contract loans	710,812,894		710,812,894
Other Invested Assets	23,640,323		23,640,323
Receivables for securities	276,977		276,977
Aggregate write-ins for invested assets	9,884,798		9,884,798
Investment Income Due and Accrued	180,916,398		180,916,398
Premiums and Considerations:			
Uncollected premiums and agents' balances in course of collection	(78,275,355)		(78,275,355)
Deferred premiums and agents' balances and installments booked but deferred and not yet due	20,030,881		20,030,881
Reinsurance:			
Amounts recoverable from reinsurers	82,542,509		82,542,509
Funds held by or deposited with reinsured companies	300,309		300,309
Other amounts receivable under reinsurance contracts	46,324,490		46,324,490
Current federal and foreign income tax recoverable	126,923,243		126,923,243
Net deferred tax asset	185,337,396		185,337,396
Guaranty funds receivable or on deposit	2,182,330		2,182,330
Receivables from parent, subsidiaries and affiliates	22,498,679		22,498,679
Aggregate write-ins for other than invested assets	157,016,700		157,016,700
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	6,591,970,102		6,591,970,102
Totals	$26,654,687,975	$0	$26,654,687,975

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts		$12,525,927,485
Aggregate reserve for accident and health contracts		39,185,980
Liability for deposit-type contracts		4,376,320,606
Contract claims:		
Life		103,937,309
Accident and health		10,943,583
Policyholders' dividends due and unpaid		346,253
Provision for policyholders' dividends payable in following calendar year - estimated amounts:		
Dividends apportioned for payment		29,870,272
Premiums and annuity considerations for life and accident and health contracts received in advance		5,085,124
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		4,970,171
Other amounts payable on reinsurance		24,876,397
Interest Maintenance Reserve (IMR)		32,893,901
Commissions to agents due or accrued		27,290,912
Commissions and expense allowances payable on reinsurance assumed		206,226
General expenses due and accrued		21,114,090
Transfers to Separate Accounts due or accrued		(79,621,432)
Taxes, licenses and fees due or accrued		15,460,968
Unearned investment income		2,493,408
Amounts withheld or retained by company as agent or trustee		11,148,628
Remittances and items not allocated		41,231,911
Miscellaneous liabilities:		
Asset valuation reserve		149,332,381
Reinsurance in unauthorized companies		3,399,380
Funds held under reinsurance treaties with unauthorized reinsurers		10,411,073
Payable to parent, subsidiaries and affiliates		40,159,575
Funds held under coinsurance		40,988,400
Payable for securities		5,000,000
Aggregate write-ins for liabilities		3,214,338
From Separate Accounts Statements		6,591,970,103
Total Liabilities		$24,038,157,042
Common capital stock	$5,000,000	
Gross paid in and contributed surplus	1,061,113,202	
Aggregate write-ins for special surplus funds	79,656,807	
Unassigned funds (surplus)	1,470,760,924	
Total Capital and Surplus		2,616,530,933
Totals		$26,654,687,975

<u>Summary of Operations</u>

Premiums and annuity considerations for life and A&H contracts	$2,504,635,882	
Considerations for supplementary contracts with life contingencies	790,524	
Net investment income	1,105,208,396	
Amortization of Interest Maintenance Reserve (IMR)	22,971,875	
Separate Accounts net gain from operations excluding unrealized gains or losses	331,289,972	
Commissions and expense allowances on reinsurance ceded	269,369,875	
Reserve adjustments on reinsurance ceded	(307,519,386)	
Miscellaneous Income:		
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	55,879,478	
Aggregate write-ins for miscellaneous income	22,850,217	
Total Income		$4,005,476,833
Death benefits	$342,536,445	
Matured endowments	2,702,237	
Annuity benefits	169,374,525	
Disability benefits and benefits under A&H contracts	31,018,129	
Coupons, guaranteed annual pure endowments and similar benefits	156,741	
Surrender benefits and withdrawals for life contracts	1,205,361,122	
Interest and adjustments on contract or deposit-type contract funds	185,306,122	
Payments on supplementary contracts with life contingencies	3,579,381	
Increase in aggregate reserves for life and A&H contracts	567,794,402	
Total Benefits	$2,507,829,104	
Commissions on premiums, annuity considerations and deposit - type contract funds	$199,996,302	
Commissions and expense allowances on reinsurance assumed	8,849,964	
General insurance expenses	219,828,049	
Insurance taxes, licenses and fees, excluding federal income taxes	44,451,817	
Increase in loading on deferred and uncollected premiums	(327,426)	
Net transfers to or (from) Separate Accounts net of reinsurance	298,114,191	
Aggregate write-ins for deductions	15,088,485	
Total Expenses	$786,001,382	
Total Benefits and Expenses		3,293,830,486
Net gain from operations before dividends to policyholders and federal income taxes		$711,646,347
Dividends to policyholders		31,476,851
Net gain from operations after dividends to policyholders and before federal income taxes		$680,169,496
Federal and foreign income taxes incurred		(24,652,548)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)		$704,822,044
Net realized capital gains or (losses) less capital gains tax (excluding taxes transferred to the IMR)		(154,897,758)
Net Income		$549,924,286

Capital and Surplus Account

	2005	2006	2007	2008	2009
Total Capital and Surplus December 31, previous year	$1,315,719,181	$1,379,563,733	$1,388,425,175	$1,796,944,586	$1,767,703,446
Net income or (loss)	$41,555,218	$451,476,433	$350,916,546	($300,392,076)	$549,924,286
Change in net unrealized capital gains or (losses)	21,497,643	(97,021,543)	(513,900,934)	(119,652,283)	140,779,731
Change in net unrealized foreign exchange capital gain (loss)	(4,095,708)	(6,010,945)	(772,678)	(9,181)	0
Change in net deferred income tax	21,977,563	(8,698,186)	(21,089,922)	167,283,234	(145,582,127)
Change in non-admitted assets and related items	(65,717,892)	(426,546,325)	507,722,392	(42,682,853)	165,803,080
Change in liability for reinsurance in unauthorized companies	388,328	(227,427)	(313,127)	(1,108,132)	1,381,892
Change in reserve on account of change in valuation basis, (increase) or decrease	-0-	-0-	0	227,690,943	-0-
Change in asset valuation reserve	43,605,505	(6,201,319)	(78,517,005)	43,647,614	37,847,895
Surplus (contributed to) withdrawn from Separate Accounts during period	16,204,427	9,387,532	(1,038,132)	(293,798,319)	331,289,972
Other changes in surplus in Separate Accounts Statemen	(16,204,427)	(9,387,532)	1,038,132	293,798,319	(331,289,972)
Cumulative effect of changes in accounting principles	7,479,992	0	0	(96,025,390)	(22,231,846)
Surplus adjustment:					
Paid in	0	160,000,000	7,531,000	105,737,541	134,999,999
Change in surplus as a result of reinsurance	(2,846,097)	(3,820,480)	156,943,139	(13,703,322)	(10,898,389)
Dividends to stockholders	,	(54,088,766)	0	0	0
Aggregate write-ins for gains and losses in surplus	0	-0-	-0-	(27,235)	(3,197,034)
Net change in total capital and surplus for the year	$63,844,552	$8,861,442	$408,519,411	($29,241,140)	$848,827,487
Total Capital and Surplus December 31, current year	$1,379,563,733	$1,388,425,175	$1,796,944,586	$1,767,703,446	$2,616,530,933

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION

ASSETS

There were no changes in Financial Statement amounts or comments resulting from examination for assets for this examination.

LIABILITIES, SURPLUS AND OTHER FUNDS

Total Capital and Surplus: $2,616,530,933

Total capital and surplus as established by this examination is the same as what was reported by the Company in its December 31, 2009, Annual Statement. There were no changes made to any asset or liability items as a result of our examination as performed as of December 31, 2009.

TENN. CODE ANN. §§ 56-2-114 and 115 require an insurer of this Company's type to maintain a minimum capital and surplus of two million dollars ($2,000,000). Therefore, the Company as of December 31, 2009, for this examination does maintain capital and surplus in excess of the amounts required per Tennessee Statutes.

COMMENTS AND RECOMMENDATIONS

The following list presents a summary of comments and recommendations noted in this report:

Comments:

A. Universal Life Products with Secondary Guarantees

In early 2011, the Life Actuarial Task Force (LATF) began reviewing the reserve methodology associated with Universal Life products with secondary guarantees. A secondary guarantee attached to a Universal Life policy guarantees that the policy will not lapse if the account value is less than zero, subject to a specified premium requirement or the requirement to maintain a separate shadow account greater than zero. The shadow account is based on a different set of charges, expenses and interest credits than the real account value. The premium required to keep the shadow account value greater than zero is less than the premium needed to keep the account value greater than zero. These products also incorporate multiple sets of charges, expenses and interest credits applied to the shadow account with the actual amounts charged dependent upon the level of the shadow account.

The LATF was reviewing the charges being applied to the shadow account and thus the determination of the minimum premium to use in the reserve process associated with these policies. The reserve method for these products is defined by "Valuation of Life Insurance Policies Model Regulation" (Model Regulation) and by "The Application of the Valuation of Life Insurance Policies Model Regulation" (Actuarial Guideline 38). Actuarial Guideline 38 is a guideline to provide direction as to the application of the Model Regulation to such products. The reserve issue under review by the LATF dealt with the calculation of the minimum premium requirement as stated in Actuarial Guideline 38.

According to the Model Regulation, the minimum premium in the reserve calculation is defined as "the premium that, when paid into a policy with a zero account value at the beginning of the policy year, produces a zero account value at the end of the policy year." Actuarial Guideline 38 defines the minimum premium as "the minimum gross premium (determined at issue) that will satisfy the secondary guarantee requirement."

The Company indicated they have been selling this type of product since 2006. As of year-end 2009, the total reserves associated with the Company's Universal Life business with secondary guarantees was $292,427,201, or 2.3% of their total life reserves in the amount of $12,525,927,485. As part of our examination, we reviewed the Company's reserve methodology associated with their Universal Life policies with shadow accounts. We reviewed the Company's reserve calculations and compared the reserve method to those required under the Model Regulation and Actuarial Guideline 38. In addition to reviewing the reserve methodology, we also reviewed the stand alone asset adequacy analysis, as required under Actuarial Guideline 38; material in this review and comparison included information on policies issued by the Company during 2007 – 2010 related to this business. We reviewed the assumptions utilized in the asset adequacy as well as the results of the asset adequacy. The asset adequacy testing showed no additional reserves were necessary as the level of reserves held by the Company as of year-end 2009 was adequate.

Based on our review of the Company's reserve methodology, as well as the asset adequacy analysis, the Company is reserving for these products in accordance with the Model Regulation and the reserves held for these products are adequate. Specifically, the Company is determining the minimum premium in the reserve calculation by solving for the minimum premium such that the premium, when paid into a policy with a zero account value at the beginning of the policy year, produces a zero account value at the end of the policy year. We also note that Actuarial Guideline 38 does not specifically address how the minimum premium is to be derived. Therefore, there is an interpretation issue related to Actuarial Guideline 38 in determining the minimum premium.

It is our understanding the LATF is currently reviewing this reserve issue. We do recommend the Company follow any future LATF rulings related to Actuarial Guideline 38 as it relates to these types of products.

Recommendations:

A. Management and Control – Page 10

ARTICLE IV of the Company's Bylaws state that, "Any two or more offices may be held by the same person." This statement does not comply with language found in TENN. CODE ANN. § 48-18-401(d) which states, "The same individual may simultaneously hold more than one (1) office in a corporation, except the offices of president and secretary." It is recommended that the Company amend its Bylaws to become in compliance with language found in TENN. CODE ANN. § 48-18-401(d) concerning its officers and the positions they may hold.

B. Reinsurance Agreements – Page 18

It was noted during the period of this exam, that the Company began the use of "interim" reinsurance agreements. These agreements were reported in the Company's Annual Statements. However, some of these "interim" reinsurance agreements do not include language required by TENN. CODE ANN. § 56-2-207. The Company has since discontinued the practice of utilizing "interim" reinsurance agreements. It is recommended that the Company comply completely with TENN. CODE ANN. § 56-2-207 with all its reinsurance agreements, whether "interim" or not.

CONCLUSION

The customary insurance examination practices and procedures, as promulgated by the NAIC have been followed in connection with the verification and valuation of assets and the determination of liabilities of Protective Life Insurance Company located in Birmingham, Alabama.

In such manner, it was found that as of December 31, 2009, the Company had admitted assets of $26,654,687,975 and liabilities, exclusive of surplus, of $24,038,157,042. Thus, there existed for the additional protection of the policyholders, the amount of $2,616,530,933 in the form of common capital stock, gross paid in and contributed surplus, aggregate write-ins for special surplus funds and unassigned funds.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Mary Packard, CFE, CPA, Toni Bean, CFE, and Charles Turner, AES of the Alabama Insurance Department, Isaak Russell, CFE, and Earnest Collins, CFE, AES of the Nebraska Insurance Department, and Vince Dyal, CFE, zone examiner representing the Delaware Insurance Department, participated in the work of this examination.

In addition to the undersigned, Mike Mayberry, FSA, MAAA, Brian Rankin, FSA, MAAA, Sarah Hoover, FSA, MAAA, Jennifer Mothersole, Susan Dobson, Kathy Hembey, and Kathleen Knight of the contracting actuarial firm, Lewis & Ellis, Inc., Richardson, Texas, and Norman Chandler, CPA, CPCU, CFE, ARe, AIAF, ARC, ACP, and James R. Johnson of the contracting reinsurance specialist firm, TaylorChandler, LLC, Montgomery, Alabama, participated in the work of this examination.

Respectfully submitted,

A. Jay Uselton, CFE Examiner-in-Charge State of Tennessee Southeastern Zone, NAIC	Donnie R. Nicholson Insurance Examiner, III State of Tennessee Southeastern Zone, NAIC
Gregory Bronson, CIE, MCM Insurance Examiner, III State of Tennessee Southeastern Zone, NAIC	Rebecca E. Walker Insurance Examiner, III State of Tennessee Southeastern Zone, NAIC

EXAMINATION AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Protective Life Insurance Company located in Birmingham, Alabama dated May 31, 2011, and made as of December 31, 2009, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.

Jay Uselton

A. Jay Uselton, CFE
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

County Davidson

State Tennessee

Subscribed and sworn to before me this 31st day of May, 2011

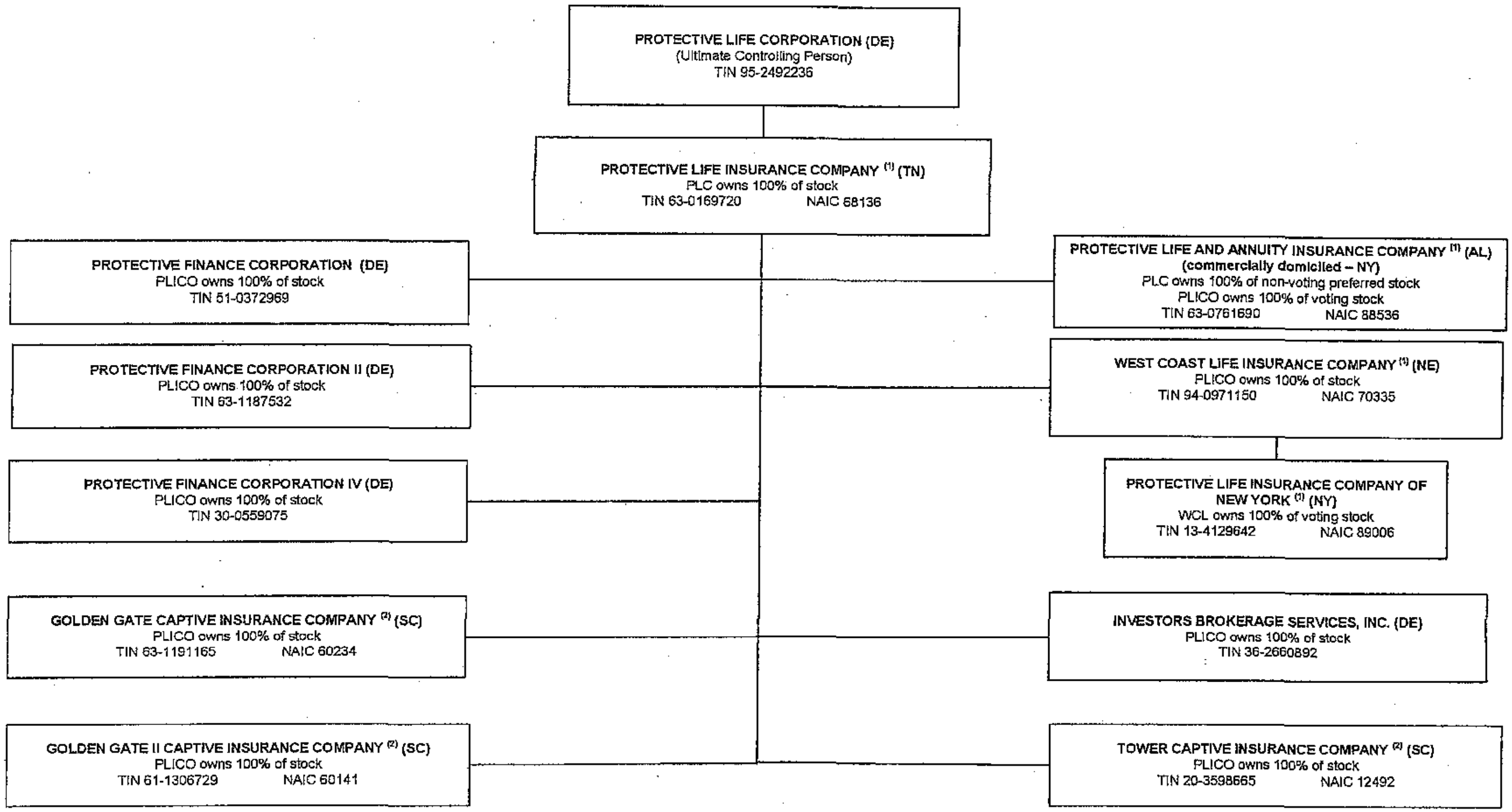
Helen W. Dorsey
(NOTARY)

My Commission Expires

03/03/2014

HELEN W DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

Protective Life Corporation (PLC) Organizational Chart
AS OF DECEMBER 31, 2009*
Protective Life Insurance Company (PLICO) Subsidiaries (Asset Protection Division found on pages 3 and 4)

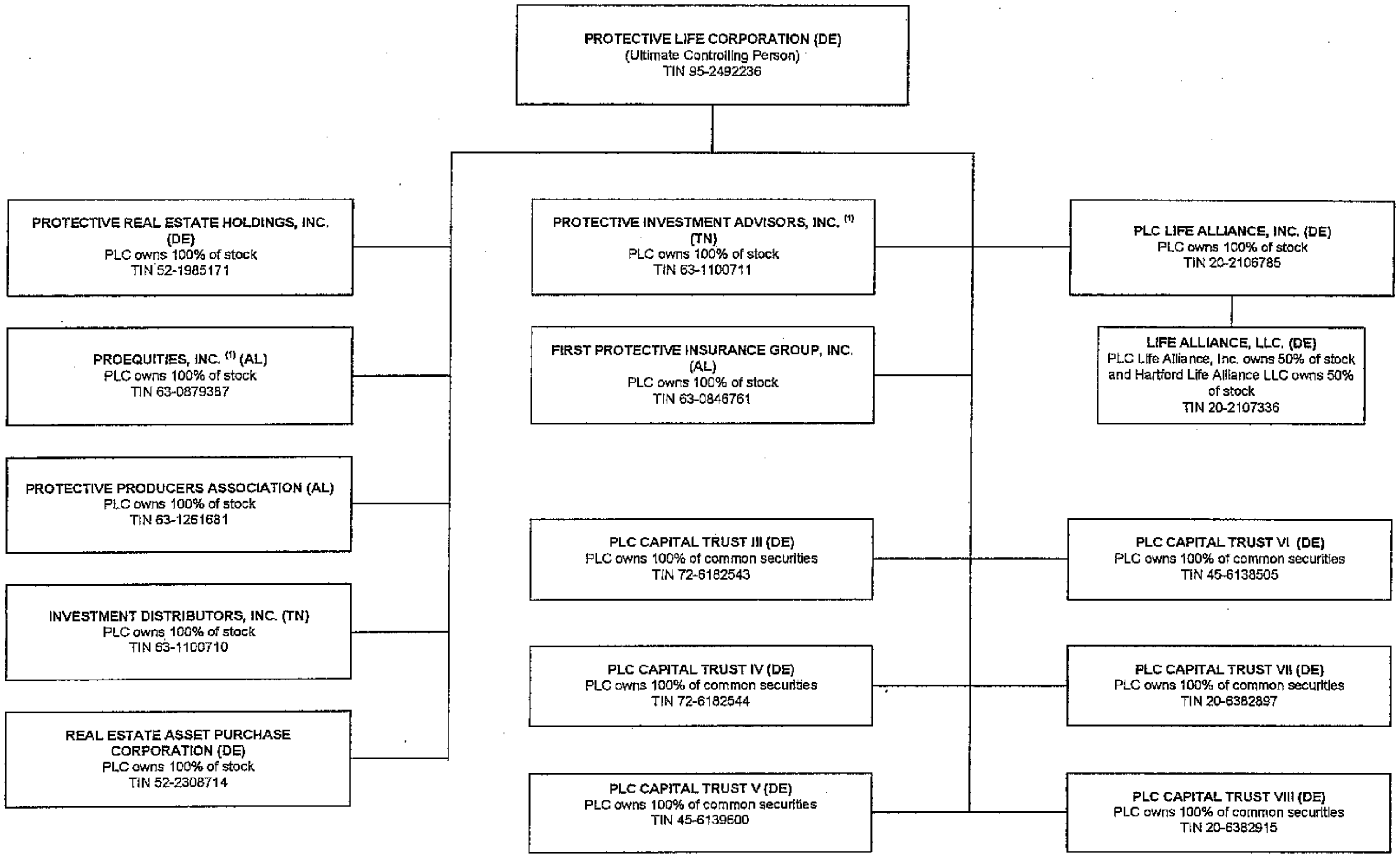


(1) *an insurance company*
(2) *a special purpose financial captive insurance company*

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

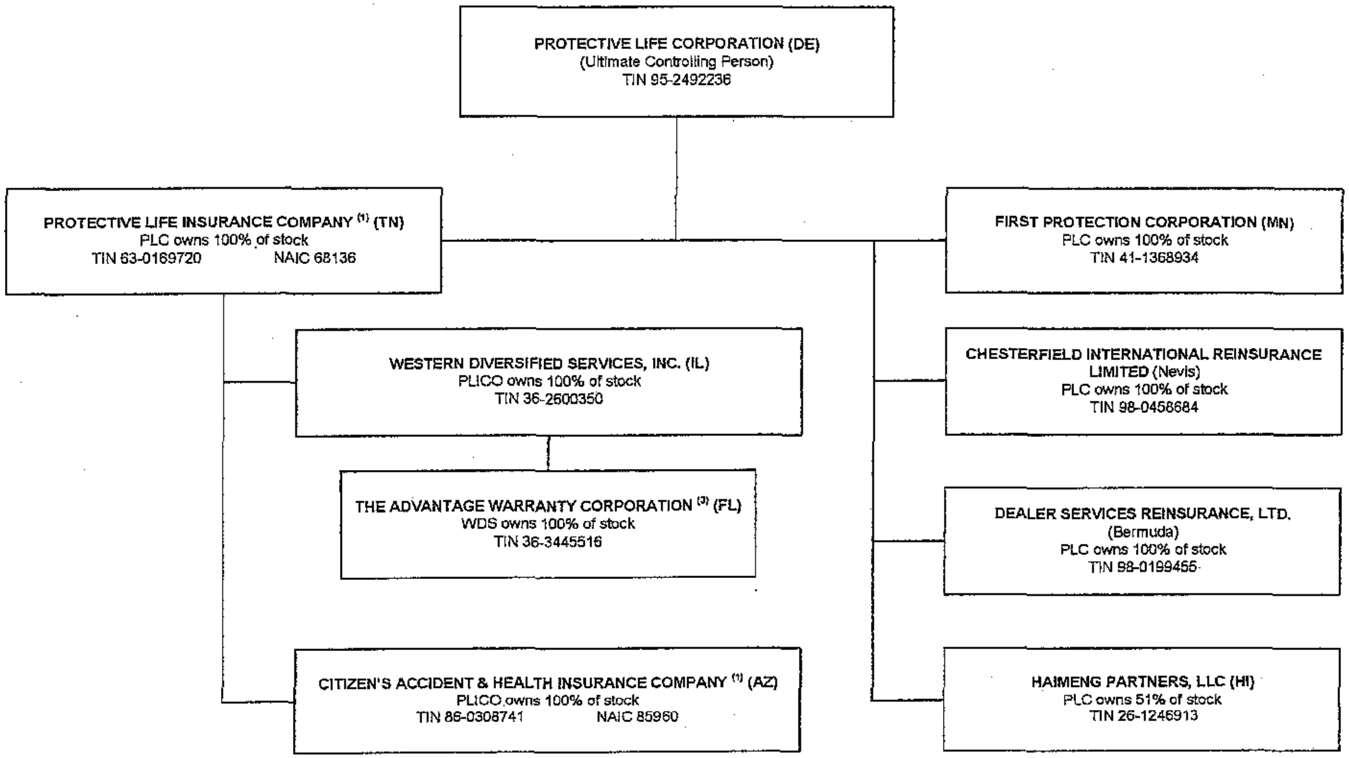
86052 v25 - 12/31/2009

Protective Life Corporation Organizational Chart
AS OF DECEMBER 31, 2009*
PLC Non-Insurance Companies (excluding Asset Protection Division)



(1) *a registered investment adviser*

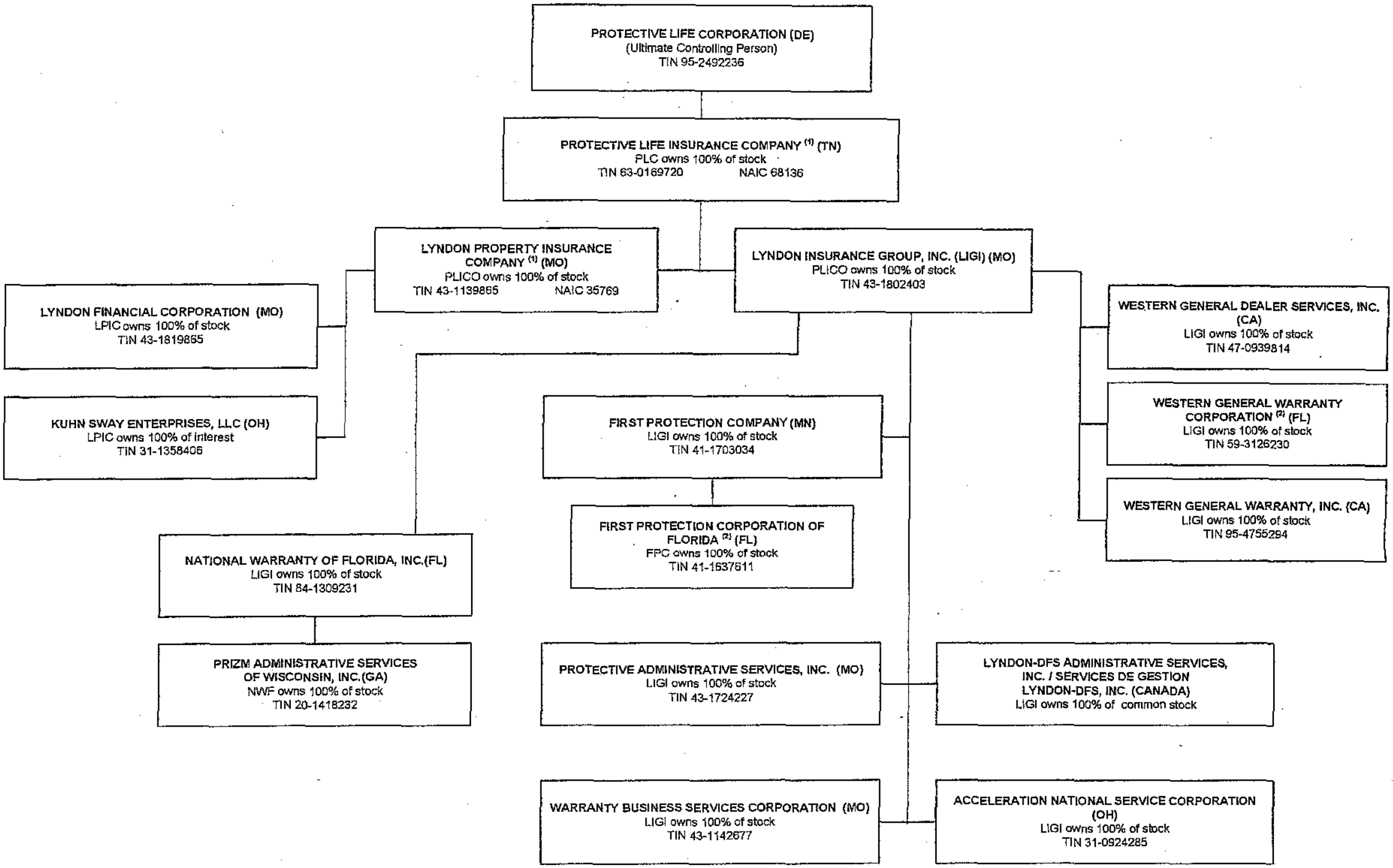
Protective Life Corporation Organizational Chart
AS OF DECEMBER 31, 2009*
Asset Protection Division – Page 1 of 2



(1) *an insurance company*
(2) *a producer affiliated reinsurance company*
(3) *a specialty insurer*

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

Protective Life Corporation Organizational Chart
AS OF DECEMBER 31, 2009*
Asset Protection Division – Page 2 of 2 (Lyndon Insurance Group, Inc. affiliates)



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

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

Protective Life Insurance Company
Post Office Box 2606
Birmingham, AL 35202
205-268-1000

Charles D. Evers, Jr.
Vice President, Corporate Accounting
205-268-3596
Fax: 205-268-3541
Toll Free 800-866-3555
Email: charles.evers@protective.com

Protective

RECEIVED
JUN 13 2011
Dept. of Commerce & Insurance
Company Examinations

June 9, 2011

Horace E. Gaddis, Jr.
Insurance Examination Director
State of Tennessee
Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

Re: Report on Financial Condition Examination of Protective Life Insurance Company Made as of December 31, 2009

Dear Mr. Gaddis:

We are in receipt of the *"Report on Financial Condition Examination of Protective Life Insurance Company"* (the "Company") as of December 31, 2009 (the "Report") referred to in your letter dated May 31, 2011. The purpose of this letter is to notify you that the Company does not chose to disagree with any matter included in the Report.

Should you have any questions, please feel free to call me at 205-268-3596.

Sincerely,

Chas. D. Evers, Jr.

Charles D. Evers, Jr.
Vice President, Corporate Accounting

cc: John D. Johns, President
Richard J. Bielen, Vice Chairman and Chief Financial Officer
Deborah J. Long, Executive Vice President, Secretary and General Counsel
Steven G. Walker, Senior Vice President and Controller
Wayne E. Stuenkel, Senior Vice President and Chief Actuary

EXHIBIT
B