

Note 16 - Statutory Financial Information

Statutory Net Income, Capital and Surplus, and Dividends

Statutory net income for U.S. life insurance companies is reported in conformity with statutory accounting principles prescribed by the National Association of Insurance Commissioners (NAIC) and adopted by applicable domiciliary state laws. The commissioners of the states of domicile have the right to permit other specific practices that may deviate from prescribed practices. Our traditional U.S. life insurance subsidiaries have no prescribed or permitted statutory accounting practices that differ materially from statutory accounting principles prescribed by the NAIC.

Certain of our traditional U.S. life insurance subsidiaries cede blocks of business to Northwind Re and Fairwind Insurance Company (Fairwind), both of which are affiliated captive reinsurance subsidiaries (captive reinsurers) domiciled in the United States, with Unum Group as the ultimate parent. These captive reinsurers were established for the limited purpose of reinsuring risks attributable to specified policies issued or reinsured by our life insurance subsidiaries.

Fairwind, which is domiciled in the state of Vermont, is required to follow GAAP in accordance with Vermont reporting requirements for pure captive insurance companies, unless the commissioner permits the use of some other basis of accounting. Fairwind has permission from Vermont to follow accounting practices that are generally consistent with current NAIC statutory accounting principles for its insurance reserves and invested assets supporting reserves. All other assets and liabilities are accounted for in accordance with GAAP, as prescribed by Vermont, which includes the full recognition of deferred tax assets which are more likely than not to be realized. Statutory accounting principles have a stricter limitation for the recognition of deferred tax assets. The impact of following the prescribed and permitted practices of Vermont rather than statutory accounting principles prescribed by the NAIC resulted in higher capital and surplus for Fairwind of approximately \$194 million and \$137 million as of December 31, 2019 and 2018 respectively. Included in the 2018 results for Fairwind was the assumed portion of the statutory impact of the long-term care reserve increase from Unum America. Included in the 2017 results for Fairwind was the revaluation of the deferred tax asset at the new corporate rate of 21 percent resulting from the enactment of TCJA. Northwind Re has no material state prescribed accounting practices that differ from statutory accounting principles prescribed by the NAIC.

The operating results and capital and surplus of our traditional U.S. life insurance subsidiaries and our captive reinsurers, prepared in accordance with prescribed or permitted accounting practices of the NAIC or states of domicile, are presented separately below.

	Year Ended December 31		
	2019	2018	2017
	(in millions of dollars)		
Combined Net Income (Loss)			
Traditional U.S. Life Insurance Subsidiaries	\$ 982.1	\$ 953.0	\$ 807.4
Captive Reinsurers	\$ (122.5)	\$ (109.6)	\$ (137.1)
Combined Net Gain (Loss) from Operations			
Traditional U.S. Life Insurance Subsidiaries	\$ 1,027.2	\$ 959.8	\$ 812.4
Captive Reinsurers	\$ (108.4)	\$ (110.9)	\$ (143.1)
	December 31		
	2019	2018	
	(in millions of dollars)		
Combined Capital and Surplus			
Traditional U.S. Life Insurance Subsidiaries	\$ 3,644.4	\$ 3,572.7	
Captive Reinsurers	\$ 1,908.3	\$ 1,766.2	