

STATE OF CONNECTICUT  
INSURANCE DEPARTMENT

---

In the Matter of:

THE PROPOSED ACQUISITION OF CONTROL OF:

VANTIS LIFE INSURANCE COMPANY,  
A Connecticut life insurance company,

Docket No. EX 16-111

By

THE PENN MUTUAL LIFE INSURANCE COMPANY,  
A Pennsylvania life insurance company.

---

**STATEMENT OF DAVID O'MALLEY**

Good morning. My name is David O'Malley, and I am President and Chief Operating Officer of The Penn Mutual Life Insurance Company ("Penn Mutual"). It is my pleasure to be with you this morning to testify in favor of the proposed acquisition of Vantis Life Insurance Company by Penn Mutual.

I am here this morning to testify in favor of the proposed acquisition of control of Vantis. To start, I would like to offer a brief summary of my credentials, which qualify me to give this testimony. I graduated summa cum laude from Drexel University in Philadelphia, Pennsylvania, with a bachelor's degree in finance and economics. I have served Penn Mutual and its subsidiaries in a variety of capacities since 1994, when I joined the company. Specifically, I joined Penn Mutual's Investment Department in 1994, and my extensive knowledge in the investment field led to positions of increasing complexity, including vice president and head of fixed income. After my appointment as chief risk officer in 2006, I became a member of Penn Mutual's executive team and was named Chief Financial Officer in 2010 and Chief Operating Officer in 2013. On January 1, 2016, I was promoted to President and Chief Operating Officer.

As an officer of Penn Mutual, I am authorized to offer testimony regarding the proposed acquisition.

I am familiar with the proposed acquisition of Vantis by Penn Mutual. This proposed acquisition of control is subject to the Commissioner's prior approval under the Connecticut Insurance Code, and, accordingly, Penn Mutual filed a Form A Statement with the Department on October 21, 2016 to request such approval. Penn Mutual then amended its Form A Statement on November 23, 2016 at the Department's request. I have reviewed the Form A Statement and the amendments, which are the subject of my testimony today.

The Applicant – Penn Mutual – through its subsidiaries provides life insurance and a range of specialized products to help meet the varied needs of its clients. Penn Mutual concentrates its core activities on products it has historically offered: individual life insurance and individual annuities. These products are marketed through a national network of producers and financial advisers, to ensure that clients receive the product that meets their financial needs. In addition, Penn Mutual's subsidiaries include an extensive broker/dealer business through two subsidiaries, Hornor, Townsend & Kent, Inc. and Janney Montgomery Scott, LLP.

Penn Mutual has proposed to acquire a life insurance company domesticated in Connecticut – Vantis – as a wholly-owned subsidiary of Penn Mutual. Vantis was established in 1942 to provide families with affordable life insurance and annuity products. Vantis prides itself on providing simple, easy-to-afford products to hard working American families and supporting these products with attentive and personal customer services. Vantis primarily markets its products through financial institutions, such as banks and credit unions.

For the remainder of my testimony, I would like to address the criteria that the Commissioner must consider when deciding whether to approve this transaction. Overall, these

criteria weigh in favor of the Commissioner approving the transaction because the transaction is primarily a change of ownership and because Penn Mutual intends to continue operating Vantis consistent with current operations.

- The first criterion provides that Vantis must be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is properly licensed. Penn Mutual does not anticipate making any material changes to Vantis' operations that would affect its lines of business or otherwise impact its license. After the acquisition is effectuated, Vantis will continue to operate as a Connecticut domestic insurer consistent with its current operations. Vantis' books and records will remain in their present location in Connecticut and Penn Mutual will comply with Insurance Department Bulletin No. FS-2 with respect to custody arrangements for securities. Further, Penn Mutual's strong financial presence will serve to enhance Vantis' compliance with the regulations governing the financial strength of life insurers. Accordingly, the first criterion weighs in favor of approval.
- The second criterion considers whether the proposed acquisition would substantially lessen the competition of insurance in Connecticut or tend to create a monopoly. As part of this analysis, the Commissioner considers the percentage of market shares of Penn Mutual and its affiliates, market shares of Vantis, and the market in which the insurers compete. The Connecticut market shares by premium volume for the life lines of business of Penn Mutual and Vantis are .33% and .01%, respectively (as set forth in the NAIC 2015 Market Share Reports). Accordingly, the combined market shares of Penn Mutual and Vantis are well below the thresholds set by Connecticut law and the proposed merger will not result in a violation of the competitive impact standards under Connecticut law.

- The third criterion considers whether the financial condition of the acquiring party jeopardizes the financial stability of the domestic insurer or prejudices the interests of their policyholders. Penn Mutual is primarily owned by its policyholders and, as a result, takes a long-term perspective on its business and makes financial decisions that protect the best interests of the policyholders. This approach also ensures the company's long-term viability and well-being. Penn Mutual's financial strength lies in its conservative and prudent approach to managing its products and investment portfolio, which continue to stand the test of time. Penn Mutual's financial strength is demonstrated in its most recent annual financial highlights, which were submitted to the Department as part of the Form A Statement. As a result of its financial strength, Penn Mutual has paid dividends to its policyholders every year since it was founded in 1847. A.M. Best places the Applicant among the few life insurance companies that have been rated A or higher for 75 years or more. Penn Mutual has received an A or higher since 1928, an 88-year history. Penn Mutual's financial condition does not jeopardize, but rather, enhances the financial stability of Vantis. Penn Mutual's financial strength resoundingly favors the Commissioner's approval of the transaction.
- The fourth criterion asks whether the acquiring party plans or proposes to liquidate the domestic insurer, sell the domestic insurer's assets, or consolidate or merge the domestic insurer with any person or make any other material change in its business or corporate structure or management, that are unfair or unreasonable to the domestic insurer's policyholders and not in the public interest. Penn Mutual does not intend to liquidate, sell, consolidate, merge, or make any other material change to Vantis, its corporate structure, or management. To the contrary, Penn Mutual intends to operate Vantis as a Connecticut domestic insurer consistent with its current operations. After the transaction, if approved by

the Department, both companies will continue to maintain their corporate identities and will continue to operate under their current brands and maintain their respective management teams. Upon completion of the transaction, Penn Mutual will consider potential synergies that may be achieved as a result of the acquisition, but there are no immediate plans to make any material changes to Vantis' operations, corporate structure, or management. Specifically, Penn Mutual does not anticipate making any changes to the products offered by Vantis, its marketing plan or sales techniques, or its procedures related to the handling of premiums and other funds. Vantis will continue to underwrite and cancel policies only in accordance with its existing approved procedures and applicable law. Although employment levels at the companies vary in the ordinary course of business, Penn Mutual has no current plans to materially change the workforce nor the training, supervision, or compensation of personnel at either company. Penn Mutual is committed to no reductions in the Connecticut employee force of Vantis for the next four years, and longer term, Penn Mutual is hopeful that the acquisition will spur growth at both companies, which will in turn, result in the expansion of Vantis' operations and workforce in Connecticut. Penn Mutual is party to an intercompany agreement for certain investment management functions, and it is the intent of Penn Mutual, post-merger, to seek regulatory approval to add Vantis as a party to that agreement.

Additionally, Penn Mutual will review the existing reinsurance contracts post-closing for potential recapture in light of the new structure and determine a future reinsurance strategy.

- The fifth criterion requires that the competence, experience, and integrity of those persons who would control Vantis' operation post-acquisition be of sufficient quality so as not to be prejudicial or contrary to the interests of the policyholders and of the public. Penn Mutual's personnel have considerable experience in the insurance industry and take their obligations to

the public very seriously. Penn Mutual's Chairman and Chief Executive Officer, Eileen McDonnell, has worked in the life insurance industry since 1986. Before joining Penn Mutual in 2008, she was president of New England Financial, a wholly owned subsidiary of MetLife, and senior vice president of the Guardian Life Insurance Company. Susan Deakins is responsible for Penn Mutual's overall financial management function, including capital management, expense management, financial planning and projections, and financial reporting. Her career with the company began in 1983 as a member of the Penn Mutual actuarial development program and has included a succession of progressively responsible positions within its actuarial and financial operations. Kevin Reynolds joined Penn Mutual in 2011 as chief legal officer. As a member of Penn Mutual's Executive Team, Mr. Reynolds is responsible for overseeing all of the Company's legal, regulatory and compliance functions, as well as all employment-related matters for Penn Mutual and its various subsidiaries. Before joining Penn Mutual, he was associated for twenty years with the Guardian Life Insurance Company of America in New York City, where he held positions of increasing enterprise influence, ultimately serving as the company's chief compliance officer. These executives are just a glimpse of the strong educational, legal, and business credentials of Penn Mutual's personnel. Penn Mutual has also provided, in connection with its Form A Statement, biographical information, including sworn affidavits, as to all of Penn Mutual's officers and directors. These records further disclose the competence, experience, and integrity of Penn Mutual's personnel.

- Finally, the sixth criterion considers whether the Department's approval of the acquisition will be hazardous or prejudicial to the insurance-buying public. As my comments today and the Form A Statement demonstrates, the acquisition will not be hazardous or prejudicial to

the public. To the contrary, the proposed acquisition will benefit the insurance-buying public. Penn Mutual's ownership interest in Vantis will enhance Vantis' already-strong financial profile, and the parties are optimistic that the collaboration between the two companies will open new distribution opportunities for Vantis and Penn Mutual, and will hopefully spur growth that will expand Vantis' operations and workforce in Connecticut. As a result, the parties believe that the proposed acquisition will be in the best interests of the insurance-buying public.

For these reasons and more, I believe that all of the criteria governing the Department's approval of this acquisition weigh in favor of the approval.

In closing, I would like to thank you for the opportunity to testify. Penn Mutual and Vantis are enthusiastic about embarking on the proposed partnership and hope the Department will approve this application. Should the Department approve the application, we anticipate closing the transaction at 11:59 p.m. on December 31, 2016. I, and the rest of the representatives from Penn Mutual and Vantis who are here today, would be happy to answer any questions that the Department may have. Thank you very much.