

Steven B. Davis

sdavis@stradley.com

215.564.8714

November 23, 2016

Via Overnight Mail

Kathryn Belfi
Director of Financial Regulation
Connecticut Insurance Department
153 Market Street
Hartford, Connecticut 06103

**Re: Amended and Restated Form A Statement Regarding the Proposed
Acquisition of Vantis Life Insurance Company by the Penn Mutual Life
Insurance Company – Docket # EX 16-11**

Dear Ms. Belfi:

On behalf of the Penn Mutual Life Insurance Company (the "Applicant"), and in response to Mr. Kosky's letter dated November 18, 2016, please find enclosed six copies of an Amended and Restated Form A Statement regarding the proposed acquisition of control of Vantis Life Insurance Company ("Vantis"), accompanying black-lined versions, new or revised exhibits, and a USB drive containing an electronic copy of the same.

With respect to Mr. Kosky's inquiries set forth in the November 18 letter, the Applicant provides the following additional information:

ITEM 1. INSURER METHOD OF ACQUISITION

Prior to the Effective Time, the Board of Vantis will adopt a resolution stating "the capital of Vantis shall not be less than one million dollars (\$1,000,000), and surplus of Vantis shall not be less than two million dollars (\$2,000,000), or such greater amounts required by applicable Connecticut insurance laws."

2. An exemplar lease agreement (which would be Exhibit A to the respective Tenant Estoppel Certificate at Exhibit D) is being provided herewith as a supplement to Exhibit B to the Form A Statement. There are currently seven tenants for the office space at 200 Day Hill Road, Windsor, Connecticut: Alirt Insurance Research Service; Ducharme, McMillen & Associates; Demaximis, Inc.; Capital Area Substance Abuse; Brain Injury Alliance of CT; Alstom Transportation, Inc.; and DirectFac, Inc.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

1. The Amended and Restated Form A has been supplemented with additional information about the Applicant.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

1. CID has requested additional information in connection with the biographical affidavits of the following three individuals:

Eileen McDonnell: Janney Montgomery Scott LLC (Janney) is routinely examined by the SEC and FINRA. Since the referenced 2011 settlement, there have been no further specific inquiries or remedial actions requested regarding the circumstances leading to that settlement. Beginning with 2012, Janney has had 8 general examinations and 8 “sweep” (limited or target) examinations of its operations. These include pending open exams that were started in 2016 but have yet to be completed. The breakdown of these examinations is as follows: SEC: 3 exams and 5 sweep examinations; FINRA: 5 exams and 3 sweep examinations.

Jeffrey Fleischman: Question 11h referenced a litigation matter in which Mr. Fleischman was a plaintiff. The matter was captioned *Jeffrey Fleischman d/b/a Blue Panda Interactive Co. v. Fischer Jordan, LLC and MFS IP Services, Inc.*, filed in the Supreme Court of the State of New York, New York County, case index number 650587/2014. In the matter, it was alleged that Defendants failed to make payments pursuant to contract and engaged in other tortious conduct in connection with a joint business venture formed to provide services to Active Health Management, Inc.

Kevin Reynolds: The biographical affidavit of Kevin Reynolds has been updated and is being submitted herewith as a supplement to the Amended and Restated Form A. The Applicant respectfully requests confidential treatment for the confidential sections of this document, consistent with previously produced biographical affidavits. An unredacted copy of the biographical affidavit is enclosed in an envelope marked as “confidential”. Redacted copies are provided as a supplement to Exhibit E and on the enclosed USB drive.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

1. Item 4 has been updated in the Amended and Restated Form A with the following additional information. The Merger Consideration, is presently valued at \$73,300,000 (estimated Closing Company Capital and Surplus Amount after repayment of surplus notes and special dividend, plus \$20,000,000). Vantis anticipates that the aggregate expenses related to the Proposed Acquisition that it will pay will be approximately \$1,300,000. Vantis' expenses have either been paid as incurred or will be paid by Vantis' current shareholders from the proceeds of the purchase price that would have otherwise been paid to them in connection with the closing of the Merger. The Applicant (on behalf of the Applicant and the Merger Sub) anticipates that the aggregate expenses related to the Proposed Acquisition that it will pay will be approximately \$500,000.
2. The Applicant will pay the Merger Consideration with cash on hand; no financing will be involved in the Transaction.

ITEM 5. FUTURE PLANS OF INSURER

- 1-3. The Amended and Restated Form A refers the reader to Exhibit R. Exhibit R has also been supplemented with an attached Plan of Operation as requested. The Amended and Restated Form A refers the reader to Exhibit R. Exhibit R has also been supplemented with an attached Plan of Operation as requested. Additionally, the three-year pro forma financial statements for Vantis have been revised and provided in the format requested by the CID. The Applicant is also providing copies of the pro formas, in the format originally submitted, with the updated content and an accompanying black-line version.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

1. Item 6 has been updated in the Amended and Restated Form A with the following information: The authorized capital stock of Vantis consists of 1,000,000 shares of common stock, par value \$100.00 per share (the "Common Stock"), 31,876.25 of which are issued and outstanding. In connection with the Merger, the Applicant will acquire all of Vantis' shares of Common Stock that are issued and outstanding immediately prior to the Effective Time will be converted and exchanged for the right to receive the Merger Consideration, and the common stock of Merger Sub will become the common stock of Vantis.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

1. The requested Management Discussion and Analysis of the Applicant as of December 31, 2015 has been added to the submission as Exhibit S.

2. The requested September 30, 2016 Quarterly Financial Statement of the Applicant has been added to the submission as Exhibit T.

3. The requested September 30, 2016 Quarterly Financial Statement of Vantis Life Insurance Company has been added to the submission as Exhibit U.

4. The CID has made certain inquiries regarding Exhibit F, the 12/31/15 statutory Annual Financial Statement of Applicant. Please note the following responsive information:

- Page 5, line 11, reports Net cash from operations of \$1,044,810,683 at December 31, 2015 versus \$453,910,625 at December 31, 2014. The change is due to the following:

L1 – Premium increased \$467 million primarily due to FHLB borrowings, which the Company treated as deposit type contracts.

L2 – Cash related to Net Investment income increased due to an increase in the size of the portfolio.

L9 - In 2014, the Company entered into a contract to cede 70% of all risks related to an in-force block of single life no-lapse guaranteed universal life policies, net of inuring reinsurance, issued between October 2007 and June 2013 and in-force as of December 31, 2014. The related \$92 million tax payment that was incurred in 2014 was paid in 2015.

The slight decrease in line 5, Benefit and loss related payments between December 31, 2015 and December 31, 2014 is the result of the 2015 NAIC revision to SSAP No. 69, "Statement of Cash Flow", which clarified that the Statutory Statement of Cash Flow shall include only those transactions involving cash. These revisions were effective for the year ended 12/31/15. This change accounted for approximately \$41 million of the change in Line 5 as the benefits used to pay premium were deducted from the cash benefits in 2015 but not in 2014.

- Page 15 reports net surrender on deposit-type contracts of \$947,337,202 at December 31, 2015. The December 31, 2014 statutory Annual Financial Statement provided in Exhibit G to the Form A reports net surrender on deposit-type contracts of \$502,499,991. The increase is explained by the fact that the Applicant has borrowings from FHLB that are classified as "funding agreements" and follow the requirements under SSAP No. 52, "Deposit-Type Contracts." The shifts on Page 15 in Column 2 year-over-year are related to the initial funding agreements, which are recorded as Deposits (L2), and the paybacks of those agreements, which are recorded as Net surrender or withdrawal payments (L7).
- Page 20, No. 3.1 states the latest financial examination is as of December 31, 2015. The Applicant has been advised that the final report will become publicly available on 12/4/16. There are no recommendations or adverse findings in the report.

- Page 22, reports Ordinary life insurance premium income of \$510,135,203 at 2015, \$(80,969,480) at 2014, and \$649,413,641 at 2013. The changes from 2013 to 2014 were the result of, in 2014, the Applicant completed Coinsurance Fund Withheld Reinsurance transaction that ceded 70% of all risks related to an in-force block of single life no-lapse guaranteed universal life policies, net of inuring reinsurance, issued between October 2007 and June 2013 and in-force as of December 31, 2014. The transaction reduced ordinary life insurance premium income in 2014 by \$849 million. The changes from 2014 to 2015 were comprised of an \$849 million increase due to the absence of the 2014 transaction discussed above, a \$113 million decrease in 2015, because the Company ceded an inforce block of business to an affiliated company, The Penn Insurance and Annuity Company ("PIA"), and a \$145 million increase resulting from a mix of growth in business and use of reinsurance.
 - Page 22, reports a decrease in Ordinary individual annuities every year since 2012. The Company's strategy is centered around life insurance sales, and annuities are a complimentary line of business, resulting in lower annuity premiums year-over-year.
5. The CID has made certain inquiries regarding Exhibit K, the Applicant's June 30, 2016 Quarterly Financial Statement. Please note the following responsive information:
- Page 4 reports Premiums and annuity considerations for life and accident and health contracts of \$632,932,709 at June 30, 2016 compared to \$784,298,941 at June 30, 2015. This line represents direct premium, net of reinsurance. The decline is due in large part to the timing of reinsurance premium related to agreements such as the additional reinsurance to PIA as noted above. ...
 - Note 11 discloses General Account Funding Agreements with the Federal Home Loan Bank of Pittsburgh in the amount of \$600,000,000 as of June 30, 2016 and \$450,000,000 during the prior year-end. Penn Mutual uses funding from FHLB to support various investment activities, such as liquidity and asset diversification, as well as other operating business activities.
 - Page QS102 reports non-investment grade bonds of \$380,934,391 which represents approximately 21% of capital and surplus. Non-investment grade bonds have been showing continuous increases compared to capital and surplus since at least 2013. The increase in non-investment grade bonds from 2013 is due to net purchases of \$174 million, total net downgrades of \$44 million (primarily in the energy sector). While the Applicant has increased its holdings in non-investment grade bonds, it continues to be below the industry average (ACLI). The Applicant currently has 4.5% in non-investment grade bonds versus the industry average of 6.4%.

6. The CID has inquired how the Applicant's fixed income portfolio has been affected by the recent significant swings in the markets. The Applicant's disciplined approach to asset/liability management and value-based approach to investing has contributed to positive portfolio performance on both an absolute and benchmark relative basis during 2016. The portfolio is well-positioned currently to take advantage of improved valuations across the fixed income markets after recent volatility.

7. The CID has inquired whether the mitigation strategy of the Applicant's reinsurance program changed with the volatility of the markets. The reinsurance strategy has not changed due to the volatility of the markets.

ITEM 14 OTHER INFORMATION

1. There have been no other regulatory filings required in connection with the Transaction. A courtesy copy of the Form A was provided to the New York Department of Financial Services.

2-3. There is no material litigation pending that could affect the Company, and Exhibit Q has been updated with additional information concerning the litigation matter previously identified.

4. The Applicant's captive business falls outside of the scope of the recent revisions made to the Credit for Reinsurance Model Regulation. This is an in-force business captive effective 12/31/2014 and no new business will be added.

5. Additional comments from credit rating agencies are provided in Exhibit P, which has been supplemented with the Amended and Restated Form A.

6. The Applicant has confirmed with the CID that no Form E is required for the Transaction.

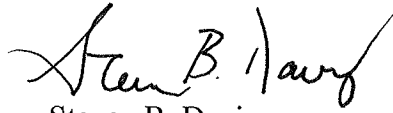
* * * *

The Applicant respectfully requests that the Commissioner waive the requirements set forth in Conn. Gen. State. § 38a-136(i)(1), with respect to Vantis undergoing a financial and market conduct examination following the proposed acquisition. In support of such request, the Applicant stresses that, as detailed in the Amended and Restated Form A Statement, Vantis' compliance with applicable regulations will remain unchanged following the acquisition because the Applicant does not intend to make any material changes to Vantis' business operations. Both companies will remain accountable to their respective state insurance departments. Moreover, from a financial perspective, the Applicant has demonstrated a tradition of maintaining financial strength throughout its history and is among few life insurance companies that have been rated A or higher by A.M. Best for 75 years or more. Accordingly, we respectfully submit that a financial examination and market conduct examination of Vantis is not necessary.

Kathryn Belfi
Director of Financial Regulation
November 23, 2016
Page 7

Thank you for your anticipated attention to this matter. We greatly appreciate your team's expedited assistance. If there is any additional information you require, please do not hesitate to contact us.

Respectfully,



Steven B. Davis

Enclosures

cc: Jared Kosky, Esquire (via e-mail w/o enclosure)
Lynn Hein (via e-mail w/o enclosure)
Kevin Reynolds, Esquire