

# **Penn Mutual** : Vantis Merger Part of Commitment to "Double Down" on Domestic Life Insurance

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HORSHAM, Pa. (BestWire) - **Penn Mutual** Life Insurance Co. has doubled down its commitment to the domestic life insurance business, where it sees tremendous opportunity in the middle market, Chairman and Chief Executive Officer Eileen McDonnell said of her company, which will merge with Vantis Life Insurance Co.

The deal is expected to close at the end of the first quarter of 2017. About a year later, the insurer plans to launch a new market line focused on longevity, McDonnell told Best's News Service.

Since 2010, McDonnell said **Penn Mutual** has enjoyed 7% annual compounded growth, compared with an industry average 2%.

"We have a mantra here, we're choosing to lead," she said, unlike companies that "still have 'life' in their name, but their focus is not life insurance, certainly not domestic."

The merger will expand **Penn Mutual's** stable of life insurance and annuity products; Vantis Life has direct-to-consumer and bank channels. Founded in Connecticut, Vantis does business across the country, said McDonnell, with average policies in the low-\$70,000s, compared to **Penn Mutual's** average "just north of \$800,000."

"American households need coverage. Let's start with that. Second, they need adequate coverage," she said. "This gives us reach "i to the middle market."

Longevity annuity products offer further growth opportunity. "People are worried they're going to outlive their money," McDonnell said. "We're going full steam ahead. There is no other industry that can guarantee a lifetime income for individuals.

"We have yet to have a generation that had to put themselves financially through their own retirement. Yet we know what's been published about savings rates and IRAs."

McDonnell spoke about American Council of Life Insurers and LIMRA statistics in this changing landscape. "The high water mark was in 1988. At that point in time there were 2,343 life insurance companies in the U.S. In 2014, there were 830 "i We've gone as an industry from 244,000 advisers" to 145,000.

"There has been a sharp decline in the business giving advice, while the populations went in the other direction." Concurrently, she said "needs have gotten more complicated."

McDonnell said **Penn Mutual** as the parent company will continue to focus on the affluent and emerging affluent market. "We continue to see growth there as well as the middle market" that is the Vantis focus.

Compliance with the far-reaching U.S. Department of Labor's fiduciary rule is set to begin in April, pending the outcome of lawsuits (Best's News Service, Oct. 7, 2016). Under the DOL rule, independent agents will have to meet new requirements to receive commissions under the Best Interest Contract Exemption, or BIC.

McDonnell looks at changing federal fiduciary regulations and says they will increase "not only the cost of implementation, but the cost of compliance."

She said she doesn't think they will substantially change how **Penn Mutual** advisers do business, because they "already work "i collectively" with other planning professionals and "operate in the best interest of their clients."

She also said she thinks there is a way to expand the middle market customer base, and at a lower price point, by leveraging technology.

Expedited underwriting, the CEO said, can make an admittedly cumbersome acquisition process "faster, more gentler" by utilizing big data.

The next step for **Penn Mutual**, said McDonnell, is to remain committed to investing in company advisers, including continuing to attract "the next generation of advisers."

According to an A.M. Best Credit Report, the Vantis distribution strategy is based on the group's expertise in the financial institution channels where focus is on banks and credit unions with assets from \$2 billion to \$20 billion, along with super-regional and national banks.

In the bank channel, subchannels include licensed branch employees, financial advisers and direct response, according to the report. Because of Vantis Life's strength in life insurance bank distribution, they have "'preferred provider' status with several key industry broker-dealer organizations, and has enabled the company to expand its business in recent years.

Post-merger, **Penn Mutual** and Vantis will continue to operate under current brands and are to retain management and other employees.

**Penn Mutual** Life Insurance Co. currently has a Best's Financial Strength Rating of A+ (Superior).

Vantis Life Insurance Co. currently has a Best's Financial Strength Rating of A- (Excellent).

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