



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of Vantis Life Insurance Company (the "Company") as of December 31, 2018, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

#### TO WIT:

1. I, Andrew N. Mais, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("CGS").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On October 9, 2019, the verified Report of the Company was filed with the Connecticut Insurance Department ("Insurance Department").
4. In accordance with Section 38a-14(e)(3) of the CGS, the Company was afforded a period of thirty (30) days within which to submit to the Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On October 31, 2019, the Company notified the Insurance Department of certain responses and comments on certain items contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company hereby is adopted as filed with the Insurance Department.
2. That the Company shall comply with all of the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the CGS.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

*"The secretary of the board of directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the commissioner, in writing, that a copy of the report or summary has been provided to each director."*

Please address the certification to the commissioner but send[ing] to the care/attention of William Arfanis, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

*"Not later than one hundred twenty days after receiving the report or summary, the chief executive officer or the chief financial officer of the entity examined shall present the report or summary to the entity's board of directors or similar governing body at a regular or special meeting."*

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 7<sup>th</sup> day of November, 2019.

  
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Andrew N. Mais  
Insurance Commissioner

Exhibit A

EXAMINATION REPORT

OF THE

VANTIS LIFE INSURANCE COMPANY  
(NAIC # 68632)

AS OF

DECEMBER 31, 2018

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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October 9, 2019

The Honorable Andrew N. Mais  
Insurance Commissioner  
State of Connecticut Insurance Department  
153 Market Street  
Hartford, CT 06103

Dear Commissioner:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has conducted a financial examination of the condition and affairs of the

VANTIS LIFE INSURANCE COMPANY

(hereinafter referred to as the Company or Vantis), a capital stock corporation incorporated under the laws of the State of Connecticut and having its statutory home office located at 200 Day Hill Road, Windsor, CT. The report of such examination is submitted herewith.

## VANTIS LIFE INSURANCE COMPANY

### SCOPE OF EXAMINATION

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (the Department) as of December 31, 2013. The current examination, which covers the subsequent five year period through December 31, 2018, was conducted at the statutory home office of the Company. A concurrent examination was also conducted on Vantis Life Insurance Company of New York (VLNY) by the New York State Department of Financial Services.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the National Association of Insurance Commissioners (NAIC) Financial Examiners Handbook (the Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management compliance with the NAIC Accounting Practices & Procedures Manual (the Manual) and the Annual Statement Instructions.

As a part of the examination planning procedures, the Department reviewed the following documentation submitted by the Company for the period under examination:

- Annual Statements filed with the Department from 2014 through 2018;
- Statements of Actuarial Opinion from 2014 through 2018;
- Management's Discussion and Analysis from 2014 through 2018;
- Internal Audit reports conducted by The Penn Mutual Life Insurance Company (Penn Mutual), the Company's parent;
- minutes of the Board of Directors (Board) and other Committees, affiliate and custodial agreements, and other documents related to significant transactions that require prior Department approval; and
- statutory basis audit reports prepared by PricewaterhouseCoopers, LLP (PwC), the Company's independent certified public accountants, from 2014 through 2018.

A comprehensive review was also made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, as well as reports obtained from the NAIC database.

Baker Tilly Virchow Krause, LLP (Baker Tilly) was engaged by the Department to conduct an evaluation of the Information Technology (IT) controls.

Work papers prepared by PwC, in connection with their 2017 and 2018 annual statutory audits, were reviewed and relied upon to the extent deemed appropriate.

All accounts and activities of the Company were considered in accordance with the risk-focused surveillance examination process.

## VANTIS LIFE INSURANCE COMPANY

Comments in this examination report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in the report to add to totals or for totals to agree with captioned amounts is due to rounding.

### HISTORY

The 1963 session of the Connecticut General Assembly passed two acts concerning savings bank life insurance. These acts created the formerly named Savings Bank Life Insurance Company (SBLI) and authorized it to assume all functions and assets of the former Savings Bank Life Insurance Fund of Connecticut which was a division within the Department since 1942. SBLI was issued a license by the Commissioner of the Department on December 21, 1963, and commenced operations on January 1, 1964.

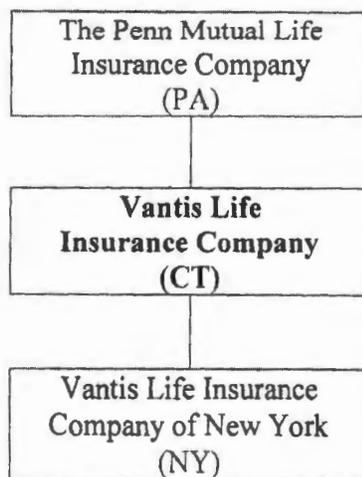
Effective May 8, 2002, the Department approved the Company's amendment to its certificate of incorporation changing its name from SBLI to Vantis.

In 2007, the Company established a wholly-owned subsidiary, VLNY, which was formally capitalized by the Company in 2009 with a capital infusion of \$6.4 million.

Effective December 31, 2016, Penn Mutual acquired control of the Company and its wholly-owned subsidiaries for \$74.3 million in cash. The acquisition was accomplished by merger of a wholly-owned subsidiary of Penn Mutual, with and into the Company, with the Company being the surviving entity.

### ORGANIZATION CHART

The following is a partial organizational chart of the Company, its parent, and subsidiary, as of December 31, 2018:



## VANTIS LIFE INSURANCE COMPANY

### MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system as defined in Sections 38a-138.1 to 38a-138.1b of the Connecticut Insurance Regulations and Section 38a-135 of the CGS.

The By-laws, amended and restated as of March 23, 2017, require the principle place of business and home office of the Company to be located within the State of Connecticut. The annual meeting of the shareholders of the Company shall be held each year at such date, time and place as may be designated by the Board from time to time. At such annual meeting, the shareholders shall elect Directors in accordance with the provisions of the Certificate of Incorporation and the By-laws, and any other proper business that may be transacted at the annual meeting. Annual meetings may be called by the Board or by an officer instructed by the Board to call the meeting.

Special meetings of the shareholders may be called by the Board, a designated committee of the Board, the Chief Executive Officer, or by the President, and shall be called by the President at the request of the holders of not less than ten percent of all of the votes entitled to be cast on issues proposed to be considered at the proposed special meeting delivered to the Secretary.

A majority of the votes entitled to be cast on a matter constitutes a quorum for action on that matter. Unless the Connecticut Business Corporation Act or the Certificate of Incorporation require a greater number of affirmative votes, actions to be voted upon by the shareholders at a meeting at which quorum is present shall be approved if the votes cast by shareholders entitled to vote on such action exceed the votes cast in opposition to such action.

The business, property and affairs of the Company shall be managed by or under the direction of its Board, which may exercise all such authority and powers of the Company and do all such lawful acts and things as are not by statute or the Certificate or by the By-laws directed or required to be exercised or done by shareholders. The Board shall consist of not less than five and not more than nine Directors, and the number of directorships at any time within such minimum and maximum range shall be the number fixed by vote of the shareholders or Directors or, in the absence thereof, shall be the number of directorships as of immediately following the preceding annual meeting of shareholders.

Regular meetings of the Board shall be held at such place and on such day and hour at such periodic intervals as the Board may from time to time designate. Special meetings of the Board shall be held at the call of the President, the Secretary, or not less than one-third of the Directors then in office, provided that at least two days' notice of that date, time and place is provided to each Director. A quorum shall consist of the majority of the Directors at the time in office, but not less than one-third of the number of directorships fixed at such time.

The Board shall have a standing Audit Committee, and may from time to time establish such other committees as it determines to be desirable for the conduct of the Company's affairs. Each committee, to the extent provided by the Board, shall have and may exercise all of the powers and authority of the Board, with certain exceptions stipulated in the By-laws.

## VANTIS LIFE INSURANCE COMPANY

Members of the Board serving the Company at December 31, 2018, were as follows:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
Eileen C. McDonnell	Chairman and Chief Executive Officer, Penn Mutual
David M. O'Malley	President and Chief Operating Officer, Penn Mutual
Susan T. Deakins	Executive Vice President and Chief Financial Officer and Treasurer, Penn Mutual
Nina M. Mulrooney	Executive Vice President, Governance and Auditor, Penn Mutual
Thomas H. Harris	Executive Vice President and Chief Distribution Officer, Penn Mutual
Peter L. Tedone	President and Chief Executive Officer, Vantis (Retired January 1, 2019)
Scott E. Smith	Executive Vice President and Chief Operating Officer and Corporate Secretary, Vantis

### Audit Committee

The Company maintained an Audit Committee through March 30, 2018. Effective March 30, 2018, Penn Mutual designated the Audit Committee of the Penn Mutual Board to serve as Audit Committee for Vantis.

The audit charter delineates the responsibilities of the Audit Committee. The Audit Committee of Penn Mutual is responsible for the recommendation of the approval of the annual election of the Company's external auditing firm to the Board.

### Company Officers

Officers serving the Company at December 31, 2018, were as follows:

<u>Officer</u>	<u>Title</u>
Peter L. Tedone	President and Chief Executive Officer
Scott E. Smith	Executive Vice President, Chief Operating Officer and Corporate Secretary
Paul E. Lataille	Senior Vice President, Treasurer and Chief Financial Officer
Bruce A. Friedland	Senior Vice President, Chief Actuary and Chief Product Officer
Craig D. Simms	Senior Vice President and Chief Marketing Officer

VANTIS LIFE INSURANCE COMPANY

PROVISION FOR POLICYHOLDER DIVIDENDS AND COUPONS PAYABLE:

<u>DIVIDENDS APPORTIONED FOR PAYMENT</u>	<u>\$136,852</u>
<u>DIVIDENDS NOT YET APPORTIONED</u>	<u>\$150,786</u>

The Company's Board did not formally declare the policyholder dividends in accordance with Statements of Statutory Accounting Principles (SSAP) No. 65, paragraph 46 of the Manual. While reviewing the Company's policyholder dividend liability reported on the 2018 Annual Statement, to ensure its compliance with SSAP 65, the following was noted:

- the Company properly recorded the policyholder dividend liability to policyholders; and
- the Board formally approved the current dividend scales effective in 2016, at the December 18, 2015, Board meeting, but did not formally declare and approve the policyholder dividends in the following years' meeting as the dividend rate remained unchanged.

It is recommended that the Company strengthen controls in place to ensure the Board formally declares and approves, on an annual basis, policyholder dividends and the record date and payment date, in compliance with SSAP 65 of the Manual and the By-laws.

RELATED PARTY AGREEMENTS

The Company is a party to several related party transaction agreements. The material agreements are as follows:

Investment Management Agreement

Effective April 1, 2017, the Company entered into an Investment Management Agreement with Penn Mutual Asset Management (PMAM), which is a wholly owned subsidiary of Penn Mutual. The agreement with PMAM provides investment management of the Company's invested assets and other related investment management and administrative services.

Net Worth Maintenance Agreement

Effective September 28, 2010, the Company entered into a Net Worth Maintenance Agreement with a subsidiary VLNY, whereby the Company provides financial assistance to enhance VLNY's surplus and liquidity positions, if deemed necessary. This agreement does not constitute an obligation or any VLNY liability on the Company's behalf, but rather the Company's desire to maintain and enhance the financial strength of VLNY.

Tax Allocation Agreement

Effective September 4, 2012, the Company entered into a Tax Allocation Agreement with VLNY, whereby the Company and VLNY agree to submit a federal tax return on a consolidated basis.

Underwriting Management and Administrative Services Agreement

Effective January 23, 2009, the Company entered into a service and cost sharing agreement with NY to provide services that include assistance in underwriting, claims services and handling, actuarial services, policyholder services, accounting, and certain other administrative functions to NY.

## VANTIS LIFE INSURANCE COMPANY

### INSURANCE COVERAGE

The Company is insured by Lloyd's of London, through its parent company, Penn Mutual, under an insurance company bond with extended coverage declarations, with a single loss limit of insurance of \$15 million and a single loss deductible amount of \$500,000. The aggregate limit of liability of insurance of covered items is \$30 million, and excess limits of \$10 million single loss and \$20 million aggregate loss limit. This coverage exceeds the suggested minimum limits of insurance pursuant to the Handbook.

### TERRITORY AND PLAN OF OPERATION

The Company is licensed and writes in all fifty States and the District of Columbia, with the exception of New York, which has provided a license to write business through the Company's subsidiary, VANTIS LNY. The majority of the Company's direct writings are individual fixed annuities. The second largest of the Company's direct written insurance premiums consists of individual life insurance coverage.

The Restated Certificate of Incorporation, effective February 21, 2017, states that the Company's business shall be authorized to write life insurance, annuities, accident insurance, health insurance and any other business or type of business which any other corporation now or hereafter chartered by Connecticut may now or hereafter lawfully do, and the Corporation is specifically empowered to accept and to cede reinsurance of any such risks or hazards.

### REINSURANCE

#### Reinsurance Assumed

The Company assumed minimal premium from Monarch Life Insurance, which represented group life insurance coverage.

#### Reinsurance Ceded

On January 1, 2015, the Company recaptured its fixed deferred annuity business and concurrently ceded 100% of its legacy business to Commonwealth Annuity and Life Insurance Company. This cession covers 100% of the Company's annuity contracts (deferred and supplementary) in-force at December 31, 2014.

The Company's direct written insurance premiums consists of individual life insurance coverage, which is ceded both on a yearly renewable term and a coinsurance basis to Swiss Re Life & Health America, Inc. (76%), SCOR Global Life USA Reinsurance Company (SCOR) (23%), Scottish Reinsurance Co., Inc. (.08%), and Hannover Life Reassurance Company of America (.02%). The Company cedes accidental death and dismemberment coverage to SCOR.

## VANTIS LIFE INSURANCE COMPANY

### INFORMATION TECHNOLOGY (IT) CONTROLS

Baker Tilly performed a risk-focused assessment and review of the Company's IT general controls (ITGCs) in accordance with NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Company's ITGCs was derived from Exhibit C Part One – Information Technology Planning Questionnaire (ITPQ) and Exhibit C Part Two – Information Technology Work Program (collectively Exhibit C). The Company's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether they were designed effectively and were functioning properly.

Baker Tilly's objectives were to obtain reasonable assurance about whether information systems resources align with the Company's objectives and to ensure that significant risks (strategic, operational, reporting, and compliance) arising out of its IT environment were appropriately mitigated by strategies and controls as outlined in the Handbook's Exhibit C Part Two – Evaluation of Controls in Information Technology Work Program.

The objectives above were achieved through a combination of reviewing the Company's policies and procedures, testing in key areas related to Exhibit C, interviewing the Company's IT senior management, reviewing IT risk assessment processes, and leveraging the risk assessment procedures performed by the Company's internal and external auditors.

The evaluation of IT controls focused on the following areas: management and organizational governance; data processing infrastructure; program change controls; system development controls; logical and physical security; business continuity plans; end user business developed applications; and cyber security and incident responses.

Based upon the risk-based assessment and review, the ITGCs were determined to be effective.

### ACCOUNTS AND RECORDS

The Company reports all financial accounting transactions in Genelco Ledger Plus (GLP), an IBM product, which is the official book of record for the Company's financial accounting operations. The Company uses the GLP system on the AS/400 midrange computer to produce its monthly trial balance and general ledger. The Company uses The Complete Package software to produce its statutory statements. General ledger account balances were reconciled and traced to appropriate asset, liability, and income statement lines on the Annual Statement for 2017 and 2018.

VANTIS LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company, as of December 31, 2018. No adjustments were made to surplus as a result of the examination.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$407,657,405		\$407,657,405
Preferred stocks	1,798,500		1,798,500
Common stocks	21,146,390		21,146,390
Mortgage loans on real estate			
First liens	46,380		46,380
Real estate			
Properties occupied by the company	5,662,601		5,662,601
Cash, cash equivalents and short-term investments	10,345,922		10,345,922
Contract loans	6,554,406		6,554,406
Receivable for securities	24,523		24,523
Investment income due and accrued	4,320,584		4,320,584
Premiums and considerations:			
Uncollected premium and agents' balances in the course of collection	590,779		590,779
Deferred premiums, agents' balances and installments booked but deferred and not yet due	8,563,979		8,563,979
Reinsurance:			
Amounts recoverable from reinsurers	7,428,905		7,428,905
Other amounts receivable under reinsurance contracts	79,059		79,059
Current federal and foreign income tax recoverable and interest thereon	478,861		478,861
Net deferred tax asset	88,902		88,902
Electronic data processing equipment and software	2,366,095	\$2,095,450	270,645
Furniture and equipment, including health care delivery assets	297,011	297,011	0
Receivables from parent, subsidiaries and affiliates	291,585		291,585
Aggregate write-ins for other than invested assets	49,215,280	747,416	48,467,864
<b>Total</b>	<b><u>\$526,957,167</u></b>	<b><u>\$3,139,877</u></b>	<b><u>\$523,817,290</u></b>

VANTIS LIFE INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$418,123,057
Aggregate reserve for accident and health contracts	2,531
Liability for deposit-type contracts	20,224,919
Contract claims:	
Life	1,486,382
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	136,852
Dividends not yet apportioned	150,786
Premiums and annuity considerations for life and accident and health contracts received in advance	154,263
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	1,378,933
Interest Maintenance Reserve	243,878
General expenses due or accrued	1,238,364
Taxes, licenses and fees due or accrued, excluding federal income taxes	338,533
Amounts withheld or retained by company as agent or trustee	25,427
Remittances and items not allocated	192,861
Miscellaneous liabilities:	
Asset valuation reserve	2,489,867
Aggregate write-ins for liabilities	13,980,018
Total liabilities	460,166,671
Common capital stock	1,000,000
Gross paid in and contributed surplus	44,910,729
Aggregate write-ins for special surplus funds	6,888,261
Unassigned funds (surplus)	10,851,629
Surplus	62,650,619
Total capital and surplus	63,650,619
Total liabilities and surplus	<u>\$523,817,290</u>

VANTIS LIFE INSURANCE COMPANY

SUMMARY OF OPERATIONS

Premium and annuity considerations for life and accident and health contracts	\$120,666,671
Considerations for supplementary contracts with life contingencies	58,300
Net investment income	13,793,868
Amortization of Interest Maintenance Reserve	93,927
Commissions and expense allowances on reinsurance ceded	1,000,933
Miscellaneous income - Aggregate write-ins for miscellaneous income	3,979,891
Totals	139,593,590
Death benefits	9,184,074
Matured endowments	17,000
Annuity benefits	2,414,980
Disability benefits and benefits under accident and health contracts	63,732
Surrender benefits and withdrawals for life contracts	9,447,108
Interest and adjustments on contract or deposit-type contract funds	800,800
Payments on supplementary contracts with life contingencies	366
Increase in aggregate reserves for life and accident and health contracts	102,881,558
Totals	124,809,618
Commissions on premiums, annuity consideration and deposit-type contract funds	5,305,514
General insurance expenses	13,993,082
Insurance taxes, licenses and fees, excluding federal income taxes	1,875,798
Increase in loading on deferred and uncollected premiums	(254,180)
Aggregate write-ins for deductions	30
Totals	145,729,862
Net gain from operations before dividends to policyholders and federal income taxes	(6,136,272)
Dividends to policyholders	307,717
Net gain from operations after dividends to policyholders and before federal income taxes	(6,443,989)
Federal and foreign income taxes incurred (excluding tax on capital gains)	(373,049)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	(6,070,940)
Net income	(\$6,070,940)
<b>CAPITAL AND SURPLUS</b>	
Capital and surplus, December 31, prior year	45,046,639
Net income	(6,070,940)
Change in net unrealized capital gains (losses) less capital gains tax	(2,327,080)
Change in net deferred income tax	(88,902)
Change in nonadmitted assets	382,683
Change in asset valuation reserve	(404,698)
Surplus adjustment:	
Paid in	30,000,000
Change in surplus as a result of reinsurance	(2,384,239)
Aggregate write-ins for gains and losses in surplus	(502,843)
Net change in capital and surplus for the year	18,603,981
Capital and surplus, December 31, current year	<u>\$63,650,620</u>

VANTIS LIFE INSURANCE COMPANY

UNCOLLECTED PREMIUMS AND AGENTS' BALANCES \$590,779  
IN THE COURSE OF COLLECTION

The Company admitted a de minimis amount of uncollected premium balances over 90 days, which should be non-admitted in accordance with SSAP 6 of the Manual. While reviewing the Company's uncollected premium account on the 2018 Annual Statement, the following was noted:

- the Company had 28 policies with premiums due that were aged 91 days or older that were reported as admitted assets; and
- a test of a sample of the Vantis aged premiums concluded that the policies were all non-forfeiture option policies with cash values exceeding the premium due, and therefore remained as inforce policies.

It is recommended that the Company strengthen procedures in place to identify and non-admit uncollected premiums over 90 days due pursuant to SSAP No. 6 of the Manual.

<u>AGGREGATE RESERVE FOR LIFE CONTRACTS</u>	<u>\$418,123,057</u>
<u>AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS</u>	<u>\$ 2,531</u>
<u>LIABILITY FOR DEPOSIT-TYPE CONTRACTS</u>	<u>\$ 20,224,919</u>
<u>CONTRACT CLAIMS: (LIFE)</u>	<u>\$ 1,486,382</u>

The Department conducted an assessment of the Company's reserving, pricing, reinsurance and liquidity risks, as of December 31, 2018. Consistent with the risk focused surveillance approach to the examination, the Department relied upon analyses and tests documented by the Company and in the working papers of the Company's independent auditors. Reviews of the Company's primary lines of business were conducted to determine whether the Company's reserves were established in accordance with minimum standards for the valuation of liabilities specified in the Actuarial Guidelines and applicable Actuarial Standards of Practice. In performing the reserve review and analysis, the Department conducted the following:

- reviewed/analyzed statutory Annual Statements from the period 2014 through 2018, with relative emphasis on the later years;
- met with Company management to understand the business of the Company, its procedures governing actuarial calculations, its approach to risk management, and its likely areas of financial and business risk;
- reviewed tests performed and conclusions reached by the Company's actuaries and its independent auditors;
- reviewed experience study information compiled and provided by the Company in support of major assumptions used in the asset/liability analysis; and
- reviewed and analyzed the Company's Statement of Actuarial Opinion and Actuarial Memorandum from the years covered under the examination, with relative emphasis on the later years.

VANTIS LIFE INSURANCE COMPANY

Assessment of Reserve and Pricing Risk

The Department conducted a review to form a conclusion regarding the risk that actual losses or other contractual payments reflected in the corresponding reserves were greater than the carried liabilities. For some products or exposures, this risk includes a consideration that reserves plus future revenue, less expenses, will be insufficient to pay future benefits. The Department conducted a review of internal controls regarding the claim liability and reserving processes. Various tests were performed to verify the appropriateness of the processes and the actual calculations for the policy reserves, claim reserves and the contract claims liabilities. The Department verified that the reported reserves and liabilities are consistent with those calculated by the Company's actuaries, and the results of their analysis show that the reported liability is sufficient to cover the expected future claims. The Department also reviewed the pricing practices of the Company.

Assessment of Reinsurance Arrangements

A review of key reinsurance treaties and other related Company descriptions of its significant assumed and ceded reinsurance agreements was performed and compared to Schedule S of the Company's annual statement. The review also included an evaluation of reinsurance reserve implications. Reinsurance agreements providing significant coverage and material reserve credits were evaluated to ensure compliance with risk transfer requirements.

Assessment of Liquidity Risk

The Department conducted testing to form a conclusion regarding the ability of the Company to meet contractual obligations as they become due because of an inability to liquidate assets or obtain adequate funding without incurring unacceptable losses. This may arise with the occurrence of an event such that the insurer will not have enough cash resources or liquid assets to meet its cash obligations. Based on a review of the Actuarial Memorandum and other analysis of the Company's assets and liabilities, the Department concluded that liquidity risk does not appear to be a major concern for the Company.

Conclusion

Based upon the risk focused assessment and review, no material findings were noted which affected the Company's ability to manage its reserving, pricing, reinsurance, and liquidity risks.

GROSS PAID IN AND CONTRIBUTED SURPLUS

\$44,910,729

The following exhibit reflects the balance of this account during the period under review:

2017	\$44,910,729
2016	\$14,910,729
2015	\$ 1,000,000
2014	\$ 1,000,000

The Company received capital contributions from its parent, Penn Mutual, totaling \$30,000,000 in 2018 and \$13,910,729 in 2016.

VANTIS LIFE INSURANCE COMPANY

UNASSIGNED FUNDS (SURPLUS)

\$10,851,629

The following exhibit reflects the balance of this account during the period under review:

2017	\$19,863,409
2016	\$26,039,863
2015	\$60,358,755
2014	\$59,120,146

The decrease in unassigned funds in 2016 was primarily attributed to the net operating loss of approximately \$15 million and an approximately \$20 million extraordinary dividend paid to owner banks prior to the acquisition of the Company by Penn Mutual. The remaining decreases were attributed to operating losses.

SUMMARY OF RECOMMENDATIONS

PAGE

6 PROVISION FOR POLICYHOLDER DIVIDENDS AND COUPONS PAYABLE

It is recommended that the Company strengthen controls in place to ensure the Board formally declares and approves, on an annual basis, policyholder dividends and the record date and payment date, in compliance with SSAP No. 65 of the Manual and the By-laws.

12 UNCOLLECTED PREMIUMS AND AGENTS' BALANCES IN THE COURSE OF COLLECTION

It is recommended that the Company strengthen procedures in place to identify and non-admit uncollected premiums over 90 days due pursuant to SSAP No. 6 of the Manual.

SUBSEQUENT EVENTS

Subsequent to the filing of the December 31, 2018, Annual Statement, Peter Tedone retired and was replaced with long-time Penn Mutual actuarial executive, Raymond Caucci, FSA, MAAA, ChFC.

In August 2019, the Company announced that after a review of its distribution strategy, the Company made the decision to no longer distribute its products through financial institutions and instead, focus its efforts solely in the direct-to-consumer channel. The Company continued to accept new business applications from financial institutions up until the close of business on August 2, 2019, and will continue to provide customer service to all of its existing policyholders.

Effective January 1, 2019, the Company entered into an Administrative Services and Support Agreement with Penn Mutual to receive services that include completion of audits, tax and legal services, and corporate governance and oversight.

CONCLUSION

The results of this examination disclosed that, as of December 31, 2018, the Company reported admitted assets of \$523,817,290, liabilities of \$460,166,671, and surplus of \$63,650,619. During the period under examination, admitted assets decreased \$372,521,701, liabilities decreased \$364,448,812, and surplus as regards policyholders decreased \$8,072,889.

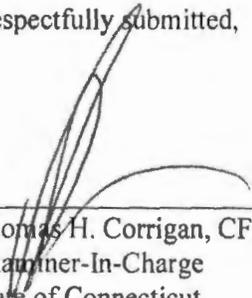
VANTIS LIFE INSURANCE COMPANY

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: William Arfanis, CFE; Wanchin W. Chou, FCAS, MAAA, CPCU, CSPA; Michael Colburn, FSA, MAAA; Kent Krajick, CFE; Daniel Levine, AFE, CPA; Ellen McCarthy, AFE; Kenneth Roulier, AFE, AES, CISA; and the professional services firm of Baker Tilly.

I, Thomas H. Corrigan, CFE, solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2018, to the best of my information, knowledge and belief.

Respectfully submitted,



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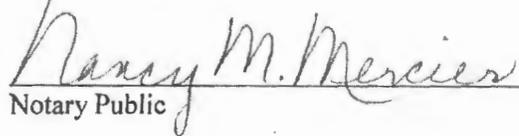
Thomas H. Corrigan, CFE  
Examiner-In-Charge  
State of Connecticut  
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me, Nancy M. Mercier  
Notary Public on this 18<sup>th</sup> day of October, 2019.



Notary Public

My Commission Expires June 30, 2020