NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

PHOENIX LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2017

DATE OF REPORT: JUNE 6, 2019

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Lacewell
Acting Superintendent

June 6, 2019

The Honorable Linda A. Lacewell
Acting Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31768, dated April 19, 2018, and annexed hereto, an examination has been made into the condition and affairs of Phoenix Life Insurance Company, now known as Nassau Life Insurance Company, hereinafter referred to as "the Company," at its home office located at One American Row, Hartford, Connecticut 06103. The Company's statutory home office is located at 15 Tech Valley Drive, East Greenbush, NY 12061.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material violation and comment contained in this report are summarized below.

- The Company violated Section 1202(b)(2) of the New York Insurance Law by failing to have only independent directors in its Human Resources committee. (See item 3E of this report.)
- The Company did not retain, and was unable to reproduce, detailed information regarding the policies and contracts that comprised the amounts reported as lapses and surrenders on the Exhibits of Life Insurance within its annual statements for the examination period. (See item 7 of this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2018 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2013, to December 31, 2017. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2017, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was performed as a coordinated examination along with the State of Connecticut, with New York serving as the lead state. Since the lead and participating states are accredited by the NAIC, both states deemed it appropriate to rely on each other's work.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic

- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2013 through 2015, by the accounting firm of PricewaterhouseCoopers, LLP, and for the years of 2016 and 2017, by the accounting firm of KPMG, LLP ("KPMG"). The Company received an unqualified opinion in each year under examination. Certain audit workpapers of the accounting firms were reviewed and relied upon in conjunction with this examination. The Company utilizes the internal audit department of its direct parent, the Phoenix Companies, Inc., which was given the task of assessing the internal control structure and compliance with the Model Audit Rule ("MAR"). Where applicable, MAR workpapers and reports were reviewed and portions were relied upon for this examination.

At the time of the prior examination, the Company's management had conducted an assessment of the effectiveness of the Company's internal controls over financial reporting ("ICFR"), as of December 31, 2012. This assessment concluded that the Company's ICFR were ineffective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements as of that date.

The following material weaknesses were identified and included in management's assessment as of December 31, 2012. The material weaknesses included deficiencies in the period-end financial reporting process including the processing of journal entries and the preparation and review of account reconciliations, insufficient complement of personnel with a level of generally accepted accounting principles ("GAAP") accounting knowledge commensurate with the Company's financial reporting requirements and ineffective monitoring and review activities. These material weaknesses also contributed to the following material weaknesses in internal control over financial reporting which have been identified and included in management's assessment as of December 31, 2012:

1. *Actuarial Finance and Valuation* - The Company did not design or maintain effective controls over the actuarial process. Specifically:
    - The Company did not maintain effective controls to review and approve assumptions and methodologies used in the determination of actuarially derived insurance policy liability estimates.

- The Company did not maintain effective controls over key actuarial spreadsheets and certain key reports to ensure the reliability of data, assumptions and valuation calculations.

2. *Investments* -The Company did not maintain effective controls over certain investment processes. Specifically:
   - The Company did not maintain effective controls over the recognition and measurement of impaired investments.
   - The Company did not maintain effective controls over the recognition and measurement of certain elements of net investment income.
   - The Company did not maintain effective controls over internally priced securities, including private placement debt and equity securities.
   - The Company did not maintain effective controls over classification in the fair value hierarchy disclosure.
   - The Company did not maintain effective controls over determining the appropriate accounting method for limited partnerships or for determining the appropriate accounting for investee transactions.
3. *Limited Partnerships and Other Investments Taxable Income Reporting* - The Company did not maintain effective controls over the completeness and accuracy of taxable income reporting for limited partnerships and other investments. Specifically, the Company did not maintain effective controls to ensure complete and accurate taxable information was used in the Company's measurement of income taxes related to limited partnerships.
4. *Access to applications and data* - The Company did not maintain effective information technology general controls related to restricted access. Specifically, the Company did not maintain effective controls for granting, removing and reviewing access to ensure appropriate segregation of duties and restricted access to programs and data.

These material weaknesses contributed to significant errors within the Company’s GAAP financial statements, the discovery of which led to the restatement of its previously filed financial statements up to and including as of December 31, 2012.

Over the examination period, the Company dedicated significant resources, time and effort to remediate the ineffective controls. As of the examination date, December 31, 2017, only one material weakness remained, specifically, the weakness related to the maintenance of effective controls over key actuarial spreadsheets and certain key reports to ensure the reliability of data, assumptions and valuation calculations. According to management, the remediation of this weakness is currently almost complete, pending review and signoff from its external auditor, KPMG.

The examiner reviewed the corrective actions taken by the Company with respect to the comments contained in the prior financial condition report on examination. The results of the examiner's review are contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was originally incorporated and commenced business as a stock company under the laws of the State of Connecticut in May 1851, under the name American Temperance Life Insurance Company. The Company's name was changed to Phoenix Mutual Life Insurance Company ("Phoenix Mutual") in 1861. In 1889, an amendment to the charter authorized the complete mutualization of the Company.

Home Life Insurance Company ("Home Life") was originally incorporated under the laws of the State of New York on April 30, 1860, as a stock company and commenced business on May 1, 1860. In 1916, Home Life mutualized.

On July 1, 1992, Home Life merged with and into the Company, with Phoenix Mutual being the surviving company. Immediately prior to the merger on July 1, 1992, the Company had redomesticated into New York pursuant to Section 7120 of the New York Insurance Law. The merger was approved by the policyholders of both companies on May 21, 1992, and by the Connecticut and New York State Insurance Departments on March 27, 1992 and June 17, 1992, respectively. Concurrent with the merger, the Company changed its name to Phoenix Home Life Mutual Insurance Company.

On June 25, 2001, the Company converted from a mutual life insurance company to a stock life insurance company, changed its name to Phoenix Life Insurance Company, and became a direct, wholly-owned subsidiary of The Phoenix Companies, Inc. ("Phoenix"), a public company traded on the New York Stock Exchange. The demutualization was accounted for as a reorganization. The Company's unassigned surplus was reclassified as common stock and additional paid in capital. All policyholder membership interests in the former mutual company were extinguished and eligible policyholders received shares of common stock, $28.8 million in cash and $12.7 million of policy credits as compensation. To protect future dividends of these policyholders, a closed block was established for the existing policyholders.

On December 15, 2004, the Company issued $175 million of surplus notes, with a 7.15% interest rate, which are due to mature on December 1, 2034. Interest payments require the prior approval of the Superintendent of Financial Services of the State of New York and may be made only out of surplus funds that the Superintendent determined to be available for such payments under New York Insurance Law. Interest is scheduled to be paid on June 15 and December 15 of each year. These notes contain no early redemption provisions. The 7.15% notes were issued pursuant to Rule 144A under the Securities Act of 1933 and were underwritten by Goldman, Sachs & Co. and Wachovia Capital Markets, LLC, and are administered by the Bank of New York as registrar/paying agent. Interest payments for these notes for 2017 was $9,059,408.

On August 8, 2012, the Company requested approval, pursuant to Section 1307 of the New York Insurance Law, to repurchase two lots of its surplus notes totaling $50 million par value at a price of $0.65 to $0.75 for each dollar of par value. Approval was granted by the Superintendent on August 31, 2012. On September 20, 2012, the Company's board of directors adopted the resolution approving the repurchase. The transaction was finalized on September 21, 2012, wherein the Company retired $48,295,000 face value of its surplus notes for the aggregate consideration of $36,221,250. The discount realized in connection with this transaction is being recognized over the remaining term of the surplus notes in the amount of $26,305 per year.

On June 17, 2016, Phoenix sold its distribution subsidiary, Saybrus Partners, Inc. to NSRE Saybrus Holdings, LLC, a direct subsidiary of Nassau Re.

On June 20, 2016, Phoenix was acquired by Nassau Re after receiving regulatory approvals from both the New York State Department of Financial Services and the Connecticut Department of Insurance. Founded in April 2015, Nassau Re is a privately held insurance and reinsurance business focused on building a franchise across the insurance value chain. Phoenix is now a privately held, wholly-owned subsidiary of Nassau Re, serving as its U.S. life and annuity platform. As part of the transaction, Nassau Re contributed $100 million of new equity capital to The Phoenix Companies, Inc. at closing. Additionally, Nassau Re funded $80 million of new equity capital to Nassau Re's reinsurance affiliate, Nassau Re (Cayman) Ltd., related to a reinsurance agreement between this affiliate and another affiliate, Phoenix Home Life Variable Insurance Company.

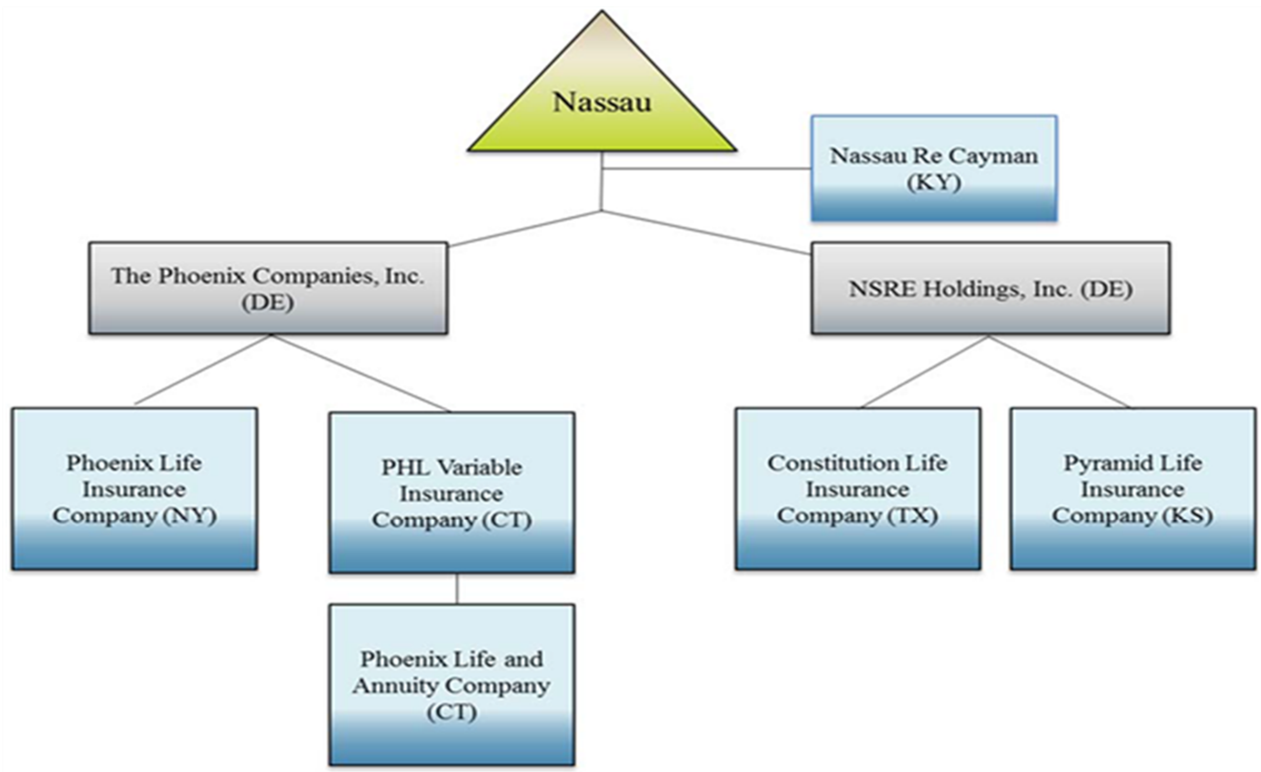
In October 2018, in connection with a corporate restructuring, Nassau Re announced that the Company would be renamed as Nassau Life Insurance Company.

B. Holding Company

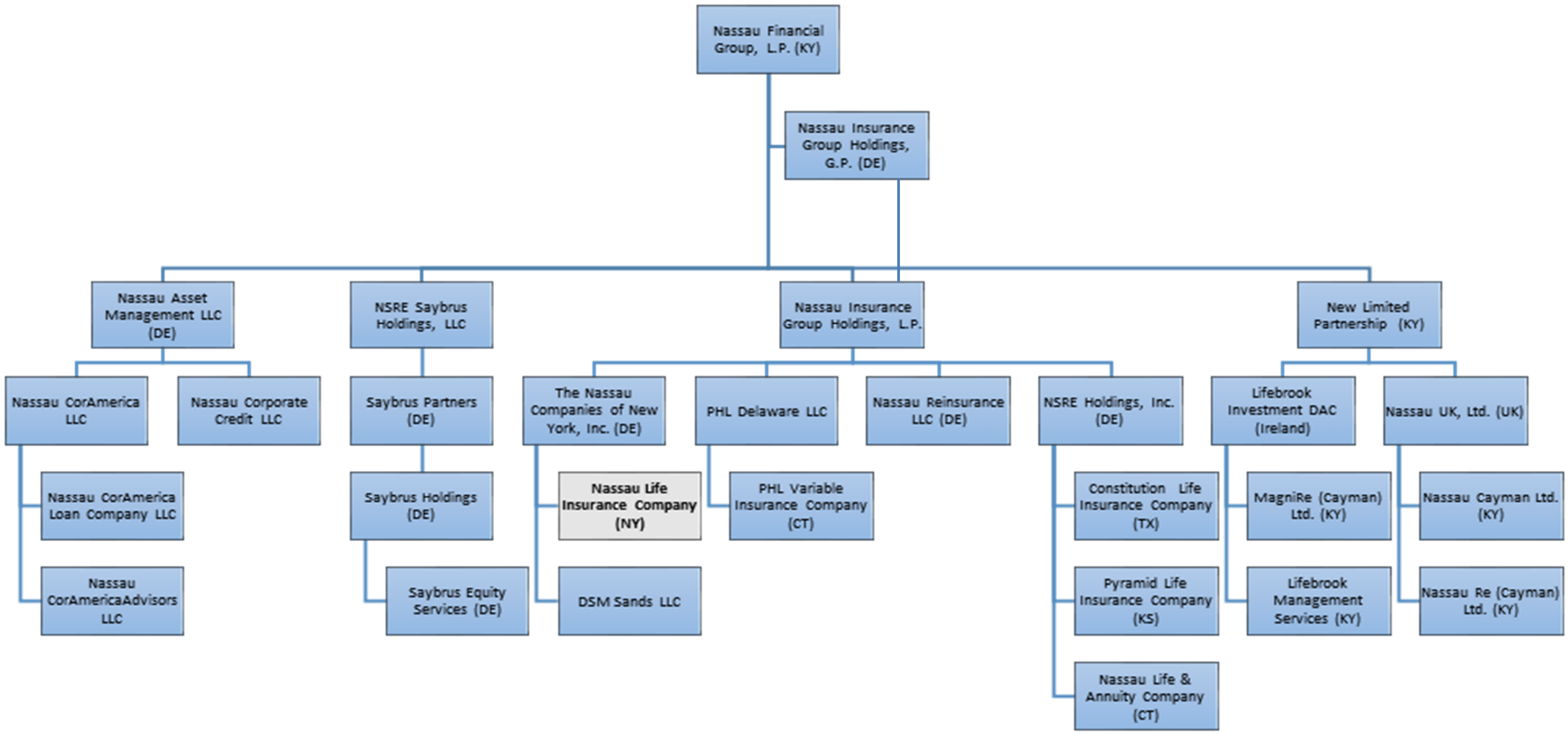
The Company is a wholly-owned subsidiary of Phoenix, a Delaware holding company. Phoenix is in turn a wholly-owned subsidiary of Nassau Reinsurance Group Holdings GP, LLC ("Nassau Re"), a Delaware limited liability corporation. The ultimate parent of the Company is GGCOF Management, LLC, a Delaware limited liability corporation, of which David Dominik, an individual, is the sole member.

C. Organizational Chart

The following depicts the organization of Nassau Re's insurance subsidiaries as of December 31, 2017:



The following depicts the organization of Nassau Financial Group's insurance subsidiaries following the restructuring and rebranding in October 2018:



The Company's significant affiliates include Nassau Asset Management Company ("NAMCO"), Phoenix Life and Annuity Company ("PLAC") and PHL Variable Insurance Company ("PHLVIC"). PLAC, which was rebranded as Nassau Life & Annuity Company, and PHLVIC are domiciled in Connecticut and were examined concurrently by the Connecticut Insurance Department.

D. Service Agreements

The Company had 8 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services Agreement File No. 53706	01/01/2017	The Phoenix Companies, Inc.; Nassau Reinsurance LLC	The Company	General support services as specified in Annex A to the agreement.	2017 $(108,206,817)
Commission Payment Agreement	02/01/2010	The Company	PHLVIC PLAC	Agreement for the Company to pay commissions to producers on behalf of PHLVIC and PLAC.	PHLVIC: 2013 $34,085,889 2014 $83,317,946 2015 $97,785,931 2016 $66,173,194 2017 $56,270,695 PLAC: 2013 $187,323 2014 $167,525 2015 $144,442 2016 $137,705 2017 $139,525
Investment Management Agreement File No. 53707	01/01/2017	Nassau Asset Management LLC	The Company	Agreement for NAMCO to act as investment manager in exchange for management fees. Amended by Contract IC00165001 on 1/1/2017	2017 $(16,412,133)
Administrative Services Agreement dated 01/01/2010 File No. 42566	01/01/2010 Terminated 01/01/2017	The Company	Saybrus Partners, Inc.	Administrative services including payroll, benefits, facilities, etc.	2013 $22,844,043 2014 $29,723,351 2015 $33,704,341 2016 $45,810,671 2017 $ 0

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Agreement Department File No. 31317	07/01/2003 Terminated 01/01/2017	The Company	The Phoenix Companies, Inc. (PNX)	Administrative services including tax, banking, payroll, etc.	2013 $42,284,822 2014 $95,235,039 2015 $42,363,413 2016 $37,500,957 2017 $ 0
Benefits Services Agreement Department File No. 32123	07/01/2003 Terminated 01/01/2017	The Phoenix Companies, Inc. (PNX)	The Company	Provides benefit services to the Company	2013 $(11,398,000) 2014 $(11,773,194) 2015 $ 0 2016 $ 0 2017 $ 0
Administrative Agreement	01/01/1995 Terminated 01/01/2017	The Company	PHLVIC, PLAC	Administrative Services agreement between the Company and the life insurance subsidiaries which including payroll, benefits, office space etc. As Amended via 14 amendments	PHLVIC: 2013 $88,703,636 2014 $79,596,323 2015 $94,073,750 2016 $81,688,637 2017 $ 0 PLAC: 2013 $1,979,359 2014 $1,013,352 2015 $ 721,697 2016 $ 562,095 2017 $ 0
Administrative Agreement File No. 29399	01/01/2001 Terminated 01/01/2017	The Company	Phoenix Founders, Inc. (“PNX Founders”); PM Holdings, Inc. (“PM Holdings”); The Phoenix Companies, Inc. (PNX)	Use of office space and personnel	PNX Founders: 2013 $0 2014 $0 2015 $0 2016 $0 2017 $0 PM Holdings: 2013 $2,979,422 2014 $ 160,250 2015 $ 245,655 2016 $ 331,925 2017 $ 0

* Represents amount received or (incurred) by the Company

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 30 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held on the third Monday of April of each year or within 60 days thereafter, as the board may determine. As of December 31, 2017, the board of directors consisted of six members due to the resignation of a director effective October 24, 2017. Meetings of the board are held at least quarterly.

The six board members and their principal business affiliation, as of December 31, 2017, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Leanne Bell* Nantucket, Massachusetts	Self-employed	2016
Kostas Cheliotis New York, New York	General Counsel and Secretary Nassau Re	2016
Phillip Gass New Canaan, Connecticut	Chairman of the Board and Chief Executive Officer Nassau Re	2015
Kevin Gregson * Chappaqua, New York	America's Leader, Commercial and Client Development Willis Towers Watson	2016
Leland Launer Jr.* Tampa, Florida	Retired Chief Executive Officer Fidelity & Guaranty Life Insurance Company	2016
Thomas Williams Whippany, New Jersey	Chief Financial Officer Nassau Re	2017

* Not affiliated with the Company or any other company within the holding company system

In October 2017, an independent director, Andrew McMahon, resigned from the board. He was replaced by Michael Kalen, another independent director, in May 2018.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

As of the examination date, December 31, 2017, the following committees were appointed by the board and serve in accordance with the Company's by-laws:

Audit committee	Human Resources committee
Leanne Bell, Chair	Phillip Gass, Chair
Kevin Gregson	Kostas Cheliotis
Andrew McMahon (prior to resignation in October 2017)	Kevin Gregson

Section 1202(b)(2) of the New York Insurance Law states, in part:

> "The board of directors of a domestic life insurance company shall establish one or more committees comprised solely of directors who are not officers or employees of the company or of any entity controlling, controlled by, or under common control with the company and who are not beneficial owners of a controlling interest in the voting stock of the company or any such entity. Such committee or committees shall have responsibility for . . . evaluating the performance of officers deemed by such committee or committees to be principal officers of the company, and recommending to the board of directors the selection and compensation of such principal officers . . ."

The Company maintains a Human Resources committee that is primarily responsible for setting executive compensation; however, as of December 31, 2017, such committee was not solely comprised of independent directors as required by Section 1202(b)(2) of the New York Insurance Law. The committee consisted of three members; however, two of the members were also officers of the Company, the president and chief executive officer and the general counsel and secretary.

The Company violated Section 1202(b)(2) of the New York Insurance Law by failing to have only independent directors in its Human Resources committee.

Effective February 25, 2019, the Company revised the composition of its Human Resources committee to include only independent directors.

The following is a listing of the principal officers of the Company as of December 31, 2017:

Name	Title
Phillip Gass	President, Chief Executive Officer and Chairman of the Board
Kostas Cheliotis	Vice President, General Counsel and Secretary
Ernest McNeill Jr.	Vice President, Chief Financial Officer and Treasurer
Robert Lombardi	Vice President and Chief Actuary
Jody Beresin	Vice President, Chief Administrative Officer
Thomas Buckingham	Vice President and Chief Operating Officer
Gina O'Connell	Vice President and Chief Risk Officer
Christopher Wilkos	Vice President and Chief Investment Officer
Christopher Macklem	2nd Vice President and Illustration Actuary

* William Moorcroft, 2nd Vice President and Chief Compliance Officer, is the designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

Subsequent to the examination date, the following changes occurred to the officers listed above:

- Jody Beresin resigned and was not replaced.
- Ernest McNeill retired and was replaced by Thomas Williams, who has also retained his positions as a member of the board of directors and as Chief Financial Officer of Nassau Re.
- Gina O'Connell resigned and was replaced by Vernon Young.

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in all 50 states, the District of Columbia, Puerto Rico, and the US Virgin Islands. In 2017, 22% of the life premiums, 29.2% of the accident and health premiums, and 19.4% of annuity considerations were received from New York.

Current policies are written on a non-participating basis; however, there is also a block of participating policies which have been placed into runoff.

The following tables show the percentage of direct premiums received, by state, and by major line of business for the year 2017:

Life Insurance Premiums	
New York	22.0%
Florida	6.7
New Jersey	6.5
California	5.7
Pennsylvania	4.9
Subtotal	45.8%
All others	54.2
Total	100.0%

Annuity Considerations	
New York	29.2%
Florida	21.6
New Jersey	18.8
Massachusetts	7.0
California	6.9
Subtotal	83.5
All others	16.5
Total	100.0%

Accident and Health Insurance Premiums	
New York	19.4%
California	15.9
Maryland	8.6
Florida	7.8
Massachusetts	5.8
Subtotal	57.6%
All others	42.4
Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2017, the Company had $1,500,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. Per confirmations received from the following states, which validate amounts reported in Schedule E of the 2017 filed annual statement, an additional $2,248,115 was being held by the states of Arkansas ($100,286), California ($1,009,336), Florida ($35,100), New Mexico ($200,659), and North Carolina ($401,306), and the territory of the US Virgin Islands ($501,428).

B. Direct Operations

The Company is a provider of life insurance and annuity products. The Company's historical life insurance products include whole life, universal life, variable universal life, term life, single life, first-to-die and second-to-die life insurance products, issued on both a participating and non-participating basis. The majority of its whole life policies, along with its participating policies, were written prior to the Company's demutualization and are part of the closed block of business. The Company also offers annuity products, including both deferred and immediate varieties. Deferred annuities accumulate for a number of years before periodic payments begin and enable the contract owner to save for retirement and provide options that protect against outliving assets during retirement. Immediate annuities are purchased by means of a single lump sum payment and begin paying periodic income within the first year.

Until 2009, the Company's marketing strategies focused on high net worth and affluent households with sophisticated estate planning and other financial needs. During the economic market downturn in 2008 and 2009, the Company was the subject of a rating downgrade by the rating agencies. As a result of these and other issues, the Company shifted its target market away from high net worth and affluent consumers to middle market households and has focused on selling products that are less capital intensive and less sensitive to its ratings. In connection with this shift in its target market, the Company has written a nominal amount of new life insurance and annuity business since 2009, and is continuing over the course of the current examination period.

On June 17, 2016, Phoenix sold Saybrus Partners, Inc., a distribution affiliate, to Nassau Re. As a result, Saybrus Partners, Inc. is now an indirect wholly-owned subsidiary of Nassau Re.

During 2017, the Company's limited new product sales were primarily in fixed indexed annuities, which were sold through its distribution affiliate, Saybrus Partners, Inc.

C. Reinsurance

As of December 31, 2017, the Company had reinsurance treaties in effect with 81 companies, of which 65 were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance, modified-coinsurance, and yearly renewable term basis. Reinsurance is provided on both an automatic or facultative basis.

The maximum retention limit for individual life insurance policies is $5,000,000 for single life and joint first-to-die policies, and $6,000,000 for second-to-die policies. The total face amount of life insurance ceded as of December 31, 2017, was $14,202,841,312, which represents 44% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $254,134,956, was supported by letters of credit, trust agreements and/or funds withheld.

The total face amount of life insurance assumed as of December 31, 2017, was $2,945,450,361.

The Company has a treaty in force with its affiliate, PHLVIC, whereby the Company has assumed, on a 90% coinsurance basis, all Phoenix Accumulator Universal Life III and IV policies sold by PHLVIC from January 1 to December 31, 2008. The reserves ceded to the Company for these policies were $75.5 million at December 31, 2017.

Effective June 30, 2015, the Company entered into a modified coinsurance ("MODCO") reinsurance agreement with PHLVIC. This agreement provides that the Company will retrocede, and PHLVIC will reinsure, 80% of the in force corporate-owned whole life insurance policies assumed by the Company from a third-party, Sun Life and Health Insurance Company (U.S.), formerly known as Phoenix American Life Assurance Company. Under this MODCO agreement, the assets, which are equal to the statutory reserves held for the reinsured policies, along with the liabilities associated with the assumed business, are retained by the Company. PHLVIC receives the economic risks and rewards related to the assumed business through MODCO adjustments. PHLVIC, having the right of offset, has offset the MODCO asset and liability.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, 2012	December 31, 2017	Increase (Decrease)
Admitted assets	$13,837,170,968	$12,478,180,657	$(1,358,990,311)
Liabilities	$13,043,549,208	$12,028,934,499	$(1,014,614,709)
Common capital stock	$ 10,000,000	$ 10,000,000	$ 0
Gross paid in and contributed surplus	1,050,492,344	228,798,472	(821,693,872)
Aviation reinsurance contingency reserve	2,500,000	2,500,000	0
Surplus notes	126,128,485	126,260,009	131,524
Unassigned funds (surplus)	(395,499,069)	81,687,677	477,186,746
Total capital and surplus	$ 793,621,760	$ 449,246,158	$ (344,375,602)
Total liabilities, capital and surplus	$13,837,170,968	$12,478,180,657	$(1,358,990,311)

The Company's invested assets as of December 31, 2017, exclusive of separate accounts, were mainly comprised of bonds (67%), contract loans (21%), and other invested assets (6%).

The majority (95.7%) of the Company's bond portfolio, as of December 31, 2017, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term		Group Life	
Year	Issued	In Force	Issued	In Force	Issued & Increases	In Force
2013	$12,041	$32,033,948	$ 0	$9,455,895	$ 0	$1,490,749
2014	$ 2,214	$29,751,007	$ 0	$8,905,346	$ 0	$1,540,519
2015	$ 480	$28,038,971	$ 0	$8,191,430	$ 0	$1,608,801
2016	$ 1,163	$26,368,504	$ 0	$7,621,699	$ 0	$1,669,696
2017	$ 1,075	$24,550,658	$ 0	$7,169,666	$ 0	$1,722,275

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	Ordinary Annuities				
	2013	2014	2015	2016	2017
Outstanding, end of previous year	14,893	13,765	12,600	11,541	10,513
Issued during the year	55	62	8	12	16
Other net changes during the year	(1,183)	(1,227)	(1,071)	(1,044)	(872)
Outstanding, end of current year	13,765	12,600	11,541	10,513	9,657

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2013	2014	2015	2016	2017
Ordinary:					
Life insurance	$82,143,335	$109,241,389	$17,204,519	$45,636,731	$44,512,083
Individual annuities	(2,234,369)	(2,614,177)	(1,319,185)	(2,474,139)	(5,000,469)
Supplementary contracts	(4,545,994)	(5,527,821)	(2,054,039)	(3,124,929)	(5,335,348)
Total ordinary	$75,362,972	$101,099,391	$13,831,295	$40,037,663	$34,176,266
Group:					
Life	$ 7,288,419	$ 12,256,475	$24,645,913	$ 9,774,625	$13,493,353
Annuities	(7,866,833)	(7,657,875)	(370,472)	2,868,570	628,919
Total group	$ (578,414)	$ 4,598,600	$24,275,441	$12,643,195	$14,122,272
Accident and health:					
Group	$ 5,349,950	$ 11,126,789	$ 2,818,947	$ 8,099,717	$14,292,204
Other	(319,483)	(650,064)	(112,744)	(247,557)	(457,854)
Total accident and health	$ 5,030,467	$ 10,476,725	$ 2,706,203	$ 7,852,160	$13,834,350
All other lines	$ 17,496	$ 0	$ 0	$ 0	$ 0
Total	$79,832,521	$116,174,715	$40,812,942	$60,533,018	$62,132,888

The increase in net gains from the Company's ordinary life insurance operations between 2013 and 2014 was due primarily to a decrease in federal income taxes of $26 million. The principal driver of the decrease in federal income taxes relates to taxes paid in 2013 as a result of hedges initiated to protect against the impact of rising interest rates in 2013. In 2015, revenue decreased by $26.4 million in addition in an increase in benefit payments and other expenses of $28.9 million and $35.6 million, respectively. These were the primary drivers of the decrease in net gains from operations between 2014 and 2015. In 2016, the increase in gains from operations was primarily attributed to a decrease in benefit payments of $8.8 million, a decrease in other expenses of $33.3 million and a decrease in federal income taxes of $11.03 million. These were offset by a decrease in revenue of $42.5 million.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2017, as contained in the Company's 2017 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2017 filed annual statement.

A. Independent Accountants

The firm of PricewaterhouseCoopers, LLP ("PWC") was retained by the Company for the years 2013 to 2014, and the firm of KPMG, LLP ("KPMG") was retained by the Company for the years 2015 to 2017, to audit the Company's combined statutory basis statements of financial position of the Company as of December 31 of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

PWC and KPMG concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$ 7,417,788,834
Stocks:	
Preferred stocks	124,889,691
Common stocks	49,416,297
Mortgage loans on real estate:	
First liens	90,938,572
Real estate:	
Properties occupied by the company	30,916,326
Cash, cash equivalents and short term investments	356,006,556
Contract loans	2,337,221,843
Other invested assets	611,111,743
Receivable for securities	6,999,443
Investment income due and accrued	147,447,131
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	16,589,786
Deferred premiums, agents' balances and installments booked but deferred and not yet due	55,735,668
Reinsurance:	
Amounts recoverable from reinsurers	18,074,972
Other amounts receivable under reinsurance contracts	2,584,162
Net deferred tax asset	58,828,252
Guaranty funds receivable or on deposit	4,351,659
Receivables from parent, subsidiaries and affiliates	17,081,029
Pool deposits	3,017,453
Premiums paid in advance	1,964,310
Suspense	5,981,645
From separate accounts, segregated accounts and protected cell accounts	1,121,235,285
Total admitted assets	$12,478,180,657

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 9,450,953,099
Aggregate reserve for accident and health contracts	56,995
Liability for deposit-type contracts	464,270,361
Contract claims:	
Life	134,697,391
Accident and health	22,569,972
Policyholders' dividends and coupons due and unpaid	2,323,864
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	120,601,332
Premiums and annuity considerations for life and accident and health contracts received in advance	2,351,130
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	14,744,298
Interest maintenance reserve	115,148,852
Commissions to agents due or accrued	504,560
General expenses due or accrued	68,545,619
Transfers to separate accounts due or accrued	(1,183,293)
Taxes, licenses and fees due or accrued, excluding federal income taxes	5,862,432
Current federal and foreign income taxes	51,916,231
Unearned investment income	4,360,328
Amounts withheld or retained by company as agent or trustee	479,982
Remittances and items not allocated	7,684,317
Miscellaneous liabilities:	
Asset valuation reserve	161,169,711
Reinsurance in unauthorized companies	2,442,783
Funds held under reinsurance treaties with unauthorized reinsurers	244,967,782
Payable to parent, subsidiaries and affiliates	1,000,000
Liability for amounts held under uninsured accident and health plans	169,200
Payable for securities	12,530,867
Liability for non-qualified pension plans	346,276
Escheat liability	9,608,977
Other liabilities	9,576,155
From separate accounts statement	1,121,235,285
Total liabilities	$12,028,934,499
Common capital stock	$ 10,000,000
Surplus notes	126,260,009
Gross paid in and contributed surplus	228,798,472
Aviation reinsurance contingency reserve	2,500,000
Unassigned funds (surplus)	81,687,677
Surplus	$ 439,246,158
Total capital and surplus	$ 449,246,158
Total liabilities, capital and surplus	$12,478,180,657

D. Condensed Summary of Operations

	2013	2014	2015	2016	2017
Premiums and Annuity considerations	$335,887,533	$318,429,396	$(507,723,676)	$305,402,342	$296,611,401
Investment income	648,370,887	639,087,653	635,695,978	601,486,994	625,171,490
Net gain from operations from Separate Accounts	(1,102)	(477,785)	(584,803)	580,813	136,452
Commissions and reserve adjustments on reinsurance ceded	(191,361,956)	(178,821,293)	688,340,791	(199,119,931)	(233,725,604)
Miscellaneous income	104,774,818	102,735,080	83,206,861	78,038,823	103,195,612
Total income	$897,670,180	$880,953,051	$898,935,151	$786,389,041	$791,389,351
Benefit payments	$780,073,917	$773,332,062	$818,549,343	$764,665,688	$758,372,902
Increase in reserves	(158,927,175)	(158,935,086)	(201,188,550)	(176,411,792)	(220,500,129)
Commissions	9,600,243	10,479,117	9,020,444	7,133,676	7,505,709
General expenses and taxes	121,183,826	104,986,098	114,440,608	104,411,141	138,107,706
Increase in loading on deferred and uncollected premiums	(57,896)	(58,461)	(66,449)	(96,671)	75,162
Net transfers to (from) separate accounts	(83,943,510)	(82,730,877)	(71,735,648)	(93,132,278)	(69,359,906)
Miscellaneous deductions	16,061,199	15,288,071	13,637,149	17,484,928	21,505,954
Total deductions	$683,990,604	$662,360,924	$682,656,897	$624,054,692	$635,707,398
Net gain (loss) from operations	$213,679,576	$218,592,127	$216,278,254	$162,334,349	$155,681,953
Dividends	116,299,918	111,095,576	102,027,023	75,378,435	79,304,711
Federal and foreign income taxes incurred	17,547,137	(8,678,164)	73,438,289	26,422,896	14,244,354
Net gain (loss) from operations before net realized capital gains	$ 79,832,521	$116,174,715	$ 40,812,942	$ 60,533,018	$ 62,132,888
Net realized capital gains (losses)	(100,859,728)	16,297,706	(701,463,813)	(8,671,147)	6,253,134
Net income	$ (21,027,207)	$132,472,421	$(660,650,871)	$ 51,861,871	$ 68,386,022

The significant decrease in premiums and annuity considerations, along with the increase in commissions and reserve adjustments on reinsurance ceded between 2014 and 2015 resulted primarily from the initial financial activity to recognize the MODCO reinsurance reserve and ceding commission adjustments for the intercompany reinsurance treaty between the Company and PHLVIC that became effective on June 30, 2015. This was also the primary driver for the increase in premiums and annuity considerations and the decrease in commissions and reserve adjustments on reinsurance ceded from 2015 to 2016 as the Company reverted to its normal routine activities.

E. Capital and Surplus Account

	2013	2014	2015	2016	2017
Capital and surplus, December 31, prior year	$793,621,760	$597,045,040	$609,197,578	$382,047,725	$393,167,741
Net income	$ (21,027,207)	$132,472,421	$(660,650,871)	$ 51,861,871	$ 68,386,022
Change in net unrealized capital gains (losses)	(122,909,794)	(47,379,071)	669,620,005	(3,192,726)	2,488,162
Change in net unrealized foreign exchange capital gain (loss)	(132,114)	(160,665)	(344,129)	17,816	263,669
Change in net deferred income tax	114,221,858	(39,369,281)	32,654,648	(36,790,022)	(92,393,562)
Change in non-admitted assets and related items	(95,215,188)	38,550,986	(31,889,093)	7,881,885	110,872,056
Change in liability for reinsurance in unauthorized companies	(38,972)	(7,780)	(111,431)	(357,629)	(374,959)
Change in asset valuation reserve	(9,252,632)	(4,863,020)	(10,308,162)	392,997	(8,272,390)
Other changes in surplus in Separate Accounts statement	(1,103)	(477,785)	(584,803)	580,813	136,452
Change in surplus notes	26,305	13,152	26,305	39,457	26,305
Capital changes: Paid in	0	0	0	15,250,000	0
Surplus adjustments: Paid in	45,000,000	15,000,000	0	0	0
Dividends to stockholders	(74,150,000)	(56,000,000)	(288,059,263)	(20,000,000)	(20,000,000)
Surplus withdrawal offset	1,103	477,785	584,803	(580,813)	(136,452)
Initial reinsurance allowance	0	0	98,266,910	(6,128,670)	(6,666,963)
Tax on reinsurance allowance	0	0	(34,393,420)	2,145,037	1,750,077
Prior year adjustment	(19,488,930)	(26,459,282)	(3,014,324)	0	0
Federal income tax prior year tax deficiency	(13,610,045)	355,077	1,052,972	0	0
Net change in capital and surplus for the year	$(196,576,719)	$ 12,152,537	$(227,149,853)	$ 11,120,016	$ 56,078,417
Capital and surplus, December 31, current year	$597,045,040	$609,197,578	$382,047,725	$393,167,741	$449,246,158

The increase in dividend to stockholders from 2014 to 2015 was driven primarily by an extraordinary dividend of $228.2 million paid by the Company to its direct parent, Phoenix.

The significant amount reported for initial reinsurance allowance, as well as the related tax, in 2015 resulted from the transactions involved with the new 2015 MODCO agreement described previously. The activity reported within these accounts in 2016 and 2017 is the result of routine financial activities and transactions associated with this agreement.

7. EXHIBIT OF LIFE INSURANCE

Although it did not affect the financial results reflected in the Company's annual statement, during the performance of the examination activities, it was determined that the Company had not retained, and could not reproduce, the data to support the lapse and surrender activity as reported in the Exhibit of Life Insurance for each year of the examination period. The Company was reminded of its obligation to maintain complete and thorough records to support all economic and financial activity reported within its annual statement and its supporting schedules and exhibits.

The examiner recommends that the Company implement practices and procedures to ensure that complete and thorough records to support all economic and financial activity reported within its annual statement and its supporting schedules and exhibits are maintained.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the comments contained in the prior financial condition report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	At year-end 2012, the Company carried an asset of $372 million of common stock based on the value of PM Holdings, whose major asset was insurance subsidiary PHL Variable. The listed value of the subsidiary was roughly equivalent to one-half of the Company's surplus. The Department was concerned about the likelihood that the subsidiary will continue to be a drain on the Company's surplus Following the acquisition of the Company's parent by Nassau Re and the subsequent reorganization of the corporate structure, the Company no longer has any direct subsidiaries.
B	The Company's 2012 audited financial statements stated that the completion of Phoenix's GAAP restatement resulted in management identifying errors in the historical statutory financial statements of the Company. These errors originated in 2011 and prior periods and resulted in an adjustment of $(42.7) million to the Company's capital and surplus reported in the 2012 annual statement. Of the $42.7 million, $33.1 million was reported as a prior period adjustment in the 2013 annual statement and $9.6 million would be reported in the Company's 2014 statutory filings. The Company took corrective action by recognizing the remaining adjustments totaling $9.6 million in its 2014 statutory filings.

9. SUMMARY AND CONCLUSIONS

Following are the violation and recommendation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1202(b)(2) of the New York Insurance Law by failing to have only independent directors in its Human Resources committee. Effective February 25, 2019, the Company revised the composition of its Human Resources committee to include only independent directors.	14
B	The examiner recommends that the Company implement practices and procedures to ensure that complete and thorough records to support all economic and financial activity reported within its annual statement and its supporting schedules and exhibits are maintained.	30

Respectfully submitted,

James B. Morris, CFE, CPA
Baker Tilly Virchow Krause, LLP

STATE OF MARYLAND)
)SS:
COUNTY OF BALTIMORE)

James B. Morris, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

James B. Morris

Subscribed and sworn to before me

this 14 day of June

Cynthia M. Deitos
10/25/2021 Commission expires

CYNTHIA M DEITOS
Notary Public
Baltimore County
Maryland
My Commission Expires Oct. 25, 2021

Respectfully submitted,

_____________/s/____________
Courtney Williams
Principal Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Courtney Williams, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____________/s/____________
Courtney Williams

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 31768

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

JAMES B. MORRIS
(BAKER TILLY VIRCHOW KRAUSE, LLP)

as a proper person to examine the affairs of the

PHOENIX LIFE INSURANCE COMPANY

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 19th day of April, 2018

MARIA T. VULLO
Superintendent of Financial Services

By:

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU