

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
First Penn-Pacific Life Insurance Company)
1300 South Clinton Street)
Fort Wayne, Indiana 46802)

Examination of: **First Penn-Pacific Life Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of First Penn-Pacific Life Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 31, 2017, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of First Penn-Pacific Life Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 28, 2019
Date

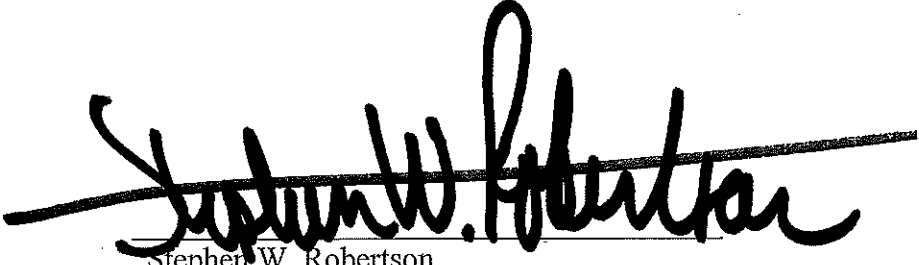

Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0540

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 28 day of June, 2019.

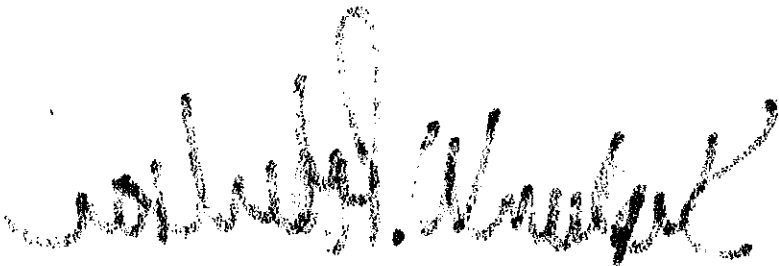

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A large, cursive handwritten signature in black ink, appearing to read "Michael J. ...".A smaller, cursive handwritten signature in black ink, appearing to read "Jim".

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY

NAIC Co. CODE 67652
NAIC GROUP CODE 0020

As of

December 31, 2017

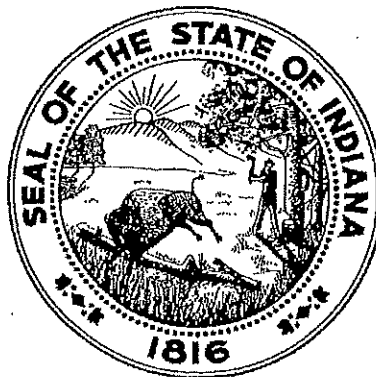


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

May 29, 2019

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3992, an examination has been made of the affairs and financial condition of:

First Penn-Pacific Life Insurance Company
1300 South Clinton Street
Fort Wayne, Indiana 46802

hereinafter referred to as the "Company", or "FPP", an Indiana domestic stock, life and annuity insurance company. The examination was conducted at the corporate offices of the Lincoln Financial Group in Greensboro, North Carolina.

The Report of Examination, reflecting the status of the Company as of December 31, 2017, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2008 through December 31, 2012. The present risk focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2013 through December 31, 2017, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination of the Indiana domestic insurance companies of The Lincoln Financial Group (LFG) was called by the INDOI in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The INDOI served as the lead state on the examination; the New York State Department of Financial Services, the South Carolina Department of Insurance, and the Vermont Department of Financial Regulation served as participants.

Mark Alberts, FSA, MAAA, of Alberts Actuarial Consulting, LLC, provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2017.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company was incorporated on June 19, 1963, and commenced business on June 10, 1964. The Company is headquartered in Fort Wayne, Indiana.

On November 6, 1981, ownership was acquired by Lincoln National Corporation (LNC). LNC operates multiple insurance and investment management businesses through subsidiary companies. LNC is the holding company for the three (3) principal insurance subsidiaries: The Lincoln National Life Insurance Company (LNL), the Company, and Lincoln Life & Annuity Company of New York (LLANY). LNC is publicly traded, organized under the laws of the state of Indiana, and maintains its principal offices in Radnor, Pennsylvania. LFG is the marketing name for LNC and its subsidiary companies.

CAPITAL AND SURPLUS

LNC owned 100% of the Company's issued and outstanding stock during the examination period. There were 200,000 authorized shares of common stock with a par value of \$12.50 per share and 200,000 shares issued and outstanding throughout the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends, in (000s), to LNC during the examination period:

<u>Year</u>	<u>Dividends</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2017	\$ 20,000	\$ 20,000	-
2016	\$ 20,000	\$ 20,000	-
2015	\$ 54,000	\$ 54,000	-
2014	\$ 80,000	\$ 20,000	\$ 60,000
2013	\$ 85,000	\$ 85,000	-
Total	<u>\$ 259,000</u>	<u>\$199,000</u>	<u>\$60,000</u>

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net gain from operations of such insurer of the prior year. All dividends paid during the examination period were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write business in all states and the District of Columbia, with the exception of New York. FPP provides services in two (2) segments: Life Insurance and Annuities. FPP exists mostly because of certain in-force corporate-owned life insurance (COLI) products for which it is required that two separate non-New York entities exist. FPP provides services for its current policies and also receives fees for marketing and administration of certain products underwritten by LNL.

Insurance Solutions – Life Insurance

The Life Insurance segment focuses on the creation and protection of wealth for its clients by providing life insurance products. The Life Insurance segment offers wealth protection and transfers opportunities through term insurance, a linked-benefit product (which is a Universal Life (UL) policy linked with riders that provide for long-term care costs), indexed UL, and both single, including COLI and bank-owned life insurance (BOLI), and survivorship versions of UL products.

Insurance Solutions – Group Protection

The Group Protection segment offers group life to the employer marketplace through various forms of contributory and noncontributory plans. Most of the products are sold to employers with fewer than 500 employees.

Retirement Solutions – Annuities

The Annuities segment provides tax-deferred investment growth and lifetime income opportunities for its clients by offering fixed annuities. LFG bears the investment risk of the assets supporting annuity contracts with the “fixed” classification. LFG earns investment margin profits from these products as investment spreads.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, (in 000s), of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Premiums and Annuities</u>	<u>Net Income</u>
2017	\$ 1,504,104	\$ 1,315,146	\$ 188,958	\$ 130,180	\$ 16,012
2016	1,578,933	1,377,231	201,702	124,858	20,600
2015	1,609,339	1,408,028	201,311	112,764	51,599
2014	1,741,790	1,533,364	208,426	145,681	54,206
2013	1,817,415	1,581,824	235,591	129,811	64,102

The decrease in assets throughout the period was primarily due to dividends paid to the parent. The decrease in liabilities was primarily due to a decrease in reserves for life contracts, which was driven by normal reserve declines associated with a run-off block of business.

The decrease in net income from 2016 to 2017 was primarily to due to an increase in death benefits and a decrease in net investment income. The decrease in net income from 2015 to 2016 was primarily due to a decrease in reserves and an increase in benefit and settlement expense. The decrease in capital and surplus throughout the examination period is primarily due to the payment of cash dividends to LNC, partially offset by net income.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business of the Company shall be managed by a Board of Directors (Board) composed of not less than five (5) nor more than fifteen (15) members. At least one (1) of the directors shall be a resident of Indiana. The number of directors to serve for each year shall be determined by resolution at the annual stockholders' meeting.

The following is a listing of persons serving as directors at December 31, 2017, and their principal occupations:

<u>Name and Address</u>	<u>Principal Occupation</u>
Ellen G. Cooper Gladwyne, Pennsylvania	Executive Vice President and Chief Investment Officer Lincoln Financial Group
Randal J. Freitag Devon, Pennsylvania	Executive Vice President, Chief Financial Officer and Head of Individual Life Lincoln Financial Group
Wilford H. Fuller Bryn Mawr, Pennsylvania	President, Annuity Solutions, Lincoln Financial Distributors and Lincoln Financial Network Lincoln Financial Group

Dennis R. Glass Bryn Mawr, Pennsylvania	President and Chief Executive Officer Lincoln Financial Group
Kirkland L. Hicks Wayne, Pennsylvania	Executive Vice President and General Counsel Lincoln Financial Group
Keith J. Ryan Fort Wayne, Indiana	Vice President Lincoln Financial Group

Officers

The Bylaws state that the elected officers of the Company shall consist of a President, a Secretary, and a Treasurer, and may also include a Chairman of the Board, a Chief Operating Officer, a Chief Financial Officer, one or more Vice Presidents of a class or classes as the Board may determine, and such other officers as the Board may determine. The Chairman of the Board and the President shall be chosen from among the directors. Any two or more offices may be held by the same person, except that the offices of President and Secretary may not be held by the same person.

The following is a list of key officers and their respective titles as of December 31, 2017:

<u>Name</u>	<u>Office</u>
Dennis R. Glass	President
Jeffrey D. Coutts	Treasurer
Amy J. Eby	Appointed Actuary
Andrea D. Goodrich	Secretary
Ellen G. Cooper	Executive Vice President
Randal J. Freitag	Executive Vice President
Kirkland L. Hicks	Executive Vice President
Kenneth S. Solon	Executive Vice President

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2017.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2017.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of Shareholders, Members, or Policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws specify the annual meeting of shareholders is to be held on the fourth Wednesday of April or such other date within five (5) months after the close of the fiscal year of the Company. For each year under review, the annual meeting was within five (5) months following the close of each fiscal year.

The LNC committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee and Investment Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the insurance company subsidiaries of LNC as of December 31, 2017:

	NAIC Co. Code	Domiciliary State/Country
Lincoln National Corporation		IN
The Lincoln National Life Insurance Company	65676	IN
Lincoln Life & Annuity Company of New York	62057	NY
Lincoln Reinsurance Company of South Carolina	13028	SC
Lincoln Reinsurance Company of Vermont I	13693	VT
Lincoln Reinsurance Company of Vermont III	14116	VT
Lincoln Reinsurance Company of Vermont IV	14147	VT
Lincoln Reinsurance Company of Vermont V	15336	VT
Lincoln Reinsurance Company of Vermont VI	15854	VT
Lincoln Reinsurance Company of Vermont VII	16183	VT
First Penn-Pacific Life Insurance Company	67652	IN

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company

Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Short-Term Cash Management Agreement

As amended and restated effective July 17, 2013, the Company is party to a Short-Term Cash Management Agreement with LNC, whereby the Company provides short-term demand loans to LNC, or from LNC to the Company, in exchange for receiving the taxable money market rate of interest. The Company loaned \$18,665,791 to LNC in 2017.

Master Services Agreement

As amended and restated effective April 25, 2013, the Company is party to a Master Services Agreement with LNC and LNL under which each company provides specific services and facilities of the benefit and use of the other affiliated Companies. Assigned costs are determined in accordance with customary insurance accounting practices and are reimbursed monthly. The Company's net expenses were \$17,108,336 in 2017.

Effective May 1, 2007, the Company entered into a Master Services agreement with LLANY, LNL, and various affiliates. The agreement provides specific services and facilities of the benefit and use of the other affiliated Companies. The Company's net expenses were \$15,526 in 2017.

Investment Advisory Agreement

As amended and restated effective October 1, 2016, the Company entered into an Investment Advisory Agreement with Lincoln Investment Management Company (LIMC). Pursuant to the terms of the agreement, the Company has delegate investment management responsibility to LIMC for funds in designated accounts. Fees for the services are expressed in terms of basis points representing an annual rate of the month-end net assets managed by LIMC. The Company paid \$1,106,415 to LIMC in 2017.

Sale and Participation Agreement

Effective July 19, 2017, the Company entered into a Sale and Participation Agreement with LNC, LNL, Jefferson-Pilot Investments, Inc., LLANY, Lincoln Reinsurance Company (Barbados) Limited, and Lincoln Investment Solutions. Under the terms of the agreement, members of the agreement may act as a Purchaser or Seller of real estate project loans. The parties may purchase or sell an undivided interest in the real estate project loans, which will be shared pro rata and ratably. No amounts were paid by the Company in 2017.

Tax Sharing Agreement

Effective May 2, 2007, the Company entered into a Tax Sharing Agreement with LNC. Pursuant to the terms of the agreement, for any Tax Year or portion of a Tax Year in which FPP is a member of an affiliated group that files a consolidated tax return for which LNC is the common parent (LNC Consolidated Group), LNC shall be responsible for managing the filing of tax returns and for determining the appropriate strategy for handling audits and disputes with tax authorities. Additionally, LNC shall be responsible for the final determination of all computations required under this agreement. The Company paid \$9,834,007 to LNC in 2017.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by National Union Fire Insurance Company of Pittsburgh, PA. The bond has blanket coverage of \$15,000,000, with a \$1,000,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2017, including but not limited to, commercial auto liability, commercial general liability, commercial umbrella liability, cyber liability, directors' and officers' liability, employment practices liability, professional liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

Employees and agents of the Company, a member company of the LNC consolidated group, participate in a non-contributory defined benefit pension plan sponsored by LNC and LNL. In addition, the Company also provides certain other postretirement benefits to certain retired employees and agents sponsored by LNC and LNL. The Company has no legal obligation for benefits under these plans.

Eligible retiring employees and agents receive benefits based on years of service and final average earnings. The plans are funded by assets that are held in a master trust with Northern Trust.

The Company's share of expense for employees' and agents' defined benefit pension plan was \$362,000 for 2017.

The Company's share of expense (benefit) for the employees' and agents' other postretirement benefits was \$(92,000) for 2017.

All eligible employees and agents of the Company may participate in the 401(k) plan sponsored by LNC and LNL, respectively. The expenses for the Company's portion of the 401(k) plan were \$541,000 for 2017 and. In addition, LNC and LNL also sponsor contributory deferred compensation plans for certain employees and agents. The Company's share of expenses related to these deferred compensation plans were \$78,000 for 2017. LNC uses a total return swap agreement to mitigate the earnings effects created by the changes in value of the deferred compensation liability that result from changes in value of the underlying investment options. These expenses reflect both the Company's employer matching contributions, as well as changes in the measurement of the Company's liabilities net of the plan's portion of the total of the return swap.

STATUTORY DEPOSITS

The Company reported the following statutory deposits, (in 000s), at December 31, 2017:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 1,391	\$ 1,463
All Other Special Deposits:		
Georgia	35	36
Massachusetts	120	123
New Mexico	201	205
North Carolina	411	421
Virginia	110	113
Total Deposits	<u>\$ 2,268</u>	<u>\$ 2,361</u>

REINSURANCE

Assumed Reinsurance

The Company has one financially significant reinsurance assumed contract in force as of December 31, 2017. This contract involves the assumption of the mortality risk on a large block of UL and Variable UL business that its affiliate, LNL, had previously acquired through a reinsurance transaction with an unaffiliated life insurer. In 2017, this agreement accounted for assumed premiums of \$96.3 million and assumed reserves totaling \$78.7 million.

Ceded Reinsurance

The Company's life insurance business consists primarily of various guaranteed term life products, which are reinsured on a quota share or coinsurance basis. Since 2000, the Company has offered maximum issuance limits of \$10.0 million for its basic guaranteed term life products and has retained a maximum of \$1.0 million per insured life, placing quota share reinsurance in two layers covering per-life limits above their retention. The first layer covers \$1.0 million per insured life and the second layer reinsuring the next \$9.0 million per covered life. The Company retains 10% of each layer. For business written in earlier periods, the Company maintained a lower per life retention, with retained amounts ranging from \$250,000 and \$500,000 per life and ceded the excess to various pools of reinsurers. Business ceded under the combination of these life coinsurance treaties described above accounts for \$68.9 million in ceded premiums and \$1.0 billion of ceded reserves in 2017.

In addition to externally placed reinsurance, the Company participates in a number of strategic reinsurance agreements with an affiliate, LNL. In 2017, these treaties accounted for ceded premiums of \$5.1 million and ceded reserves of \$483.6 million. The most significant of these agreements involves a portfolio of BOLI which accounted for \$382.1 million in ceded reserves as of year-end 2017.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2016 and December 31, 2017, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2013 through December 31, 2017, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY

Assets
As of December 31, 2017
(in 000s)

	Per Examination*
Bonds	\$ 1,188,675
Stocks:	
Preferred Stocks	3,223
Mortgage loans on real estate:	
First liens	79,873
Cash, cash equivalents and short-term investments	12,306
Contract Loans	20,226
Other invested assets	18,549
Receivables for securities	208
Subtotals, cash and invested assets	1,323,061
Investment income due and accrued	16,013
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	16,103
Deferred premiums, agents' balances and installments booked but deferred and not yet due	125,912
Reinsurance:	
Amounts recoverable from reinsurers	7,399
Other amounts receivable under reinsurance contracts	894
Net deferred tax asset	9,387
Guaranty funds receivable or on deposit	3,022
Receivables from parent, subsidiaries and affiliates	1,874
Aggregate write-ins for other than invested assets	439
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	1,504,104
Totals	\$ 1,504,104

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

Note: The amounts shown may include immaterial rounding differences.

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY
 Liabilities, Surplus and Other Funds
 As of December 31, 2017
 (in 000s)

	Per Examination*
Aggregate reserve for life contracts	\$ 1,216,824
Contract claims:	
Life	45,811
Premiums and annuity considerations for life and accident and health contracts received in advance	331
Contract liabilities not included elsewhere:	
Interest Maintenance Reserve (IMR)	4,170
Commissions to agents due or accrued	776
Commissions and expense allowances payable on reinsurance assumed	54
Taxes, licenses and fees due or accrued, excluding federal income taxes	4,764
Current federal and foreign income taxes	21,665
Unearned investment income	57
Amounts withheld or retained by company as agent or trustee	5,080
Remittances and items not allocated	3,281
Miscellaneous liabilities:	
Asset Valuation Reserve (AVR)	11,101
Payable to parent, subsidiaries and affiliates	1,230
Total liabilities	1,315,146
Common capital stock	2,500
Gross paid in and contributed surplus	12,916
Unassigned funds (surplus)	173,541
Surplus	186,458
Total surplus and other funds	188,958
Total liabilities, surplus and other funds	\$ 1,504,104

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

Note: The amounts shown may include immaterial rounding differences.

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY
Summary of Operations
For the Year Ended December 31, 2017
(in 000s)

	Per Examination*
Premiums and annuity considerations for life and accident and health contracts	\$ 130,180
Net Investment Income	69,993
Amortization of Interest Maintenance Reserve (IMR)	637
Commissions and expense allowances on reinsurance ceded	22,467
Miscellaneous Income:	
Aggregate write-ins for miscellaneous income	(7)
Totals	223,269
Death benefits	220,429
Annuity benefits	194
Disability benefits and benefits under accident and health contracts	257
Surrender benefits and withdrawals for life contracts	18,519
Interest and adjustments on contracts with life contingencies	574
Increase in aggregate reserves for life and accident and health contracts	(58,583)
Totals	181,389
Commissions on premiums, annuity considerations, and deposit-type contract funds	2,917
Commissions and expense allowances on reinsurance assumed	(8)
General insurance expenses	16,576
Insurance taxes, licenses and fees, excluding federal income taxes	2,266
Increase in loading on deferred and uncollected premiums	(3,450)
Aggregate write-ins for deductions	(1,937)
Totals	197,753
Net gain from operations after dividends to policyholders and before federal income taxes	25,516
Federal and foreign income taxes incurred	8,961
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	16,554
Net realized capital gains (losses) less capital gains tax	(542)
Net income	\$ 16,012

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

Note: The amounts shown may include immaterial rounding differences.

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY
 Capital and Surplus Account Reconciliation
 (in 000s)

	2017	2016	2015	2014	2013
Capital and surplus, December 31, prior year	\$ 201,702	\$ 201,311	\$ 208,426	\$ 235,591	\$ 257,499
Net income	16,012	20,600	51,599	54,206	64,102
Change in net unrealized capital gains or (losses) less capital gains tax	-	2	(4)	68	1,601
Change in net deferred income tax	(12,153)	1,525	(2,508)	538	(3,609)
Change in nonadmitted assets	5,484	(405)	129	407	1,827
Change in asset valuation reserve	55	811	(189)	(243)	(1,322)
Surplus adjustment:					
Change in surplus as a result of reinsurance	(2,142)	(2,142)	(2,142)	(2,142)	(2,142)
Dividends to stockholders	(20,000)	(20,000)	(54,000)	(80,000)	(85,000)
Aggregate write-ins for gains and losses in surplus	-	-	-	-	2,636
Net change in capital and surplus for the year	(12,744)	391	(7,115)	(27,165)	(21,907)
Capital and surplus, December 31, current year	<u>\$ 188,958</u>	<u>\$ 201,702</u>	<u>\$ 201,311</u>	<u>\$ 208,426</u>	<u>\$ 235,591</u>

Note: The amounts shown may include immaterial rounding differences.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2017, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues as of December 31, 2017, based on the results of this examination.

SUBSEQUENT EVENTS

Effective December 11, 2018, Kirkland L. Hicks stepped down from his role as LFG's General Counsel and head of the Legal and Compliance organization, as well as his position as an Executive Vice President and Director of the Company. Effective December 14, 2018, Leon Roday joined LFG as Executive Vice President and General Counsel.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., investment assistance from Greg Hahn, CFA, of Winthrop Capital Management, and actuarial assistance from Mark Alberts, FSA, MAAA, of Alberts Actuarial Consulting, LLC, performed an examination of First Penn-Pacific Life Insurance Company, as of December 31, 2017.

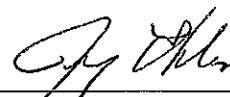
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of First Penn-Pacific Life Insurance Company as of December 31, 2017, as determined by the undersigned.


Eric Dercher, CFE
Noble Consulting Services, Inc.

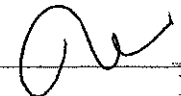
Under the Supervision of:


Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 6 day of June, 2019, before me personally appeared, Eric Dercher and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 4, 2019 
Notary Public

