STATE OF INDIANA	)	BEFORE THE INDIANA
	) SS:	
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 March 24, 2014, 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 5, 2014
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0033 4242 44

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

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

Examination of: First Penn-Pacific Life Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the First Penn-Pacific Life Insurance Company (hereinafter "Company") for the time period January 1, 2008 through December 31, 2012.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on March 3, 2014.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on March 24, 2014 and was received by the Company on March 28, 2014.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS:**

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the First Penn-Pacific Life Insurance Company as of December 31, 2012.
2. That the Examiner's Recommendations are reasonable and necessary in order for the First Penn-Pacific Life Insurance Company to comply with the laws of the State of Indiana.

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 and Sealed this 5 day of June, 2014.

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.

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, 2012

TABLE OF CONTENTS

STATE OF INDIANA **IDOI**

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

March 6, 2014

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 3731, 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 Lincoln Financial Group in Fort Wayne, Indiana, and Greensboro, North Carolina.

The Report of Examination, reflecting the status of the Company as of December 31, 2012, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2007. The present risk-focused examination was conducted by Noble Consulting Services, Inc., (Noble) and covered the period from January 1, 2008 through December 31, 2012, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Noble conducted the examination 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 and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing 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's compliance with Statutory Accounting Principles and Annual Statement instructions, when applicable to domestic state regulations.

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 Department of Financial Services, the South Carolina Department of Insurance, and the Vermont Department of Financial Regulation served as participants.

Jeffery Beckley, FSA, MAAA, of Actuarial Options, LLC., was appointed by the INDOI and conducted a review of the Company's statutory reserves as of December 31, 2012. There were no actuarial adjustments resulting from the review performed by Actuarial Options, LLC.

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

HISTORY

The Company was incorporated on June 19, 1963, and commenced business on June 10, 1964. The Company is headquartered in Schaumburg, Illinois.

On September 4, 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. 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. By resolution of the LNC Board of Directors on November 8, 1990, all shares of the Company's capital stock were contributed to LNL.

On April 3, 2006, LNC completed its merger with Jefferson-Pilot Corporation (JP Corp), the parent of Jefferson Pilot Financial Insurance Company (JPFIC) and Jefferson-Pilot Life Insurance Company (JPL), with LNC being the surviving entity. To avoid a concentration of risk under federal banking regulations, it was determined that LNL would dividend the ownership of the Company back to LNC. As of the exam date, all outstanding shares of the Company are owned by LNC.

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 SHAREHOLDER

The Company paid the following dividends to LNC during the examination period:

Year	Dividends
2012	$30,000,000
2011	18,000,000
2010	-
2009	50,000,000
2008	50,000,000
Total	$148,000,000

In accordance with Indiana Code (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 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.

As of December 31, 2012, the Company had not issued any surplus notes or debentures or similar obligations.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write business in all states except New York. LFG provides services in two (2) segments: Life Insurance and Annuities. As of December 31, 2008, LFG is no longer writing business on FPP's paper. FPP exists mostly because of certain in-force corporate-owned life insurance (COLI) products for which it is required that two (2) 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 transfer 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.

Retirement Solutions
The Retirement Plan Services segment provides employers with retirement plan products and services, primarily in the defined contribution plan marketplace. In addition to service defined benefit plan and individual retirement account markets, the segment offers a variety of plan investment vehicles, including group fixed annuities, individual annuities, and mutual fund-based programs. Other plan services are also offered, such as compliance testing, education for plan participants, and recordkeeping.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

Year	Admitted Assets	Liabilities	Surplus	Premiums and Annuity Considerations	Net Income
2012	$1,897,267,995	$1,639,769,440	$257,498,555	$126,983,050	$80,431,696
2011	1,880,368,261	1,670,664,783	209,703,478	132,442,270	30,999,349
2010	1,894,354,076	1,689,407,779	204,946,297	174,086,768	2,052,751
2009	1,857,132,235	1,651,728,717	205,403,518	2,470,778	31,618,118
2008	1,890,903,210	1,698,444,799	192,458,411	56,860,859	27,325,468

In 2010, total assets increased primarily due to a Yearly Renewable Term (YRT) reinsurance treaty with LNL, under which the Company assumed the mortality risk on certain blocks of UL and variable universal life (VUL) business from LNL. This agreement generated positive cash flows into the Company, as premiums received exceeded benefits paid by approximately $42.3 million in 2010.

The decrease in liabilities from 2008 to 2009 was a result of the reinsurance agreement in which the Company ceded certain blocks of term business to LNL. As a result of this transaction, the Company ceded reserves of $64.4 million and incurred a current federal income tax payable of $17.3 million. The increase in liabilities between 2009 and 2010 was primarily due to an increase in reserves assumed under the YRT reinsurance treaty with LNL of $103.2 million. This increase in reserves was partially offset by a subsequent decline in UL reserves of $41.1 million which occurred in the ordinary course of business. Liabilities decreased in 2011 and 2012, also related to a decrease in UL reserves.

The decrease in premiums from 2008 to 2009 was primarily due to traditional term premiums ceded to LNL of $65.0 million as a part of the reinsurance agreement with LNL. Partially offsetting this decline was an increase in premium of $13.1 million related to the agreement with Commonwealth Annuity and Life Insurance Company. The decrease in net income from 2009 to 2010 was primarily due to death benefits and increased reserves for business assumed under the YRT reinsurance treaty with LNL. Net income increased between 2010 and 2011 primarily due to the assumption of 100% of the mortality risk on certain UL and VUL policies from LNL in the second quarter of 2010. The increase in surplus from 2011 to 2012 was primarily related to an increase in net income due to a change in the calculation of deferred premiums that was made to the term block of business during the first quarter of 2012.

MANAGEMENT AND CONTROL

Directors

The Bylaws state that the business affairs of the Company are to be managed by a Board of Directors consisting of no less than five (5) or more than fifteen (15) persons. At least one (1) of the directors must be a resident of Indiana. The shareholder, at the annual meeting, elects the members of the Board of Directors.

The following is a listing of persons serving as directors for the Company and their principal occupations as of December 31, 2012:

Name and Address	Principal Occupation
Ellen G. Cooper Maplewood, New Jersey	Executive Vice President and Chief Investment Officer Lincoln Financial Group
Charles C. Cornelio Greensboro, North Carolina	President, Retirement Plan Services Lincoln Financial Group
Randal J. Freitag Devon, Pennsylvania	Executive Vice President and Chief Financial Officer Lincoln Financial Group
Dennis R. Glass Bryn Mawr, Pennsylvania	President, Chief Executive Officer Lincoln Financial Group
Mark E. Konen Villanova, Pennsylvania	President, Insurance and Retirement Solutions Lincoln Financial Group
Keith J. Ryan Fort Wayne, Indiana	Vice President Lincoln Financial Group

Officers

The Company's Bylaws state the officers of the Company, who shall be chosen by the Board of Directors, shall consist of a President, a Secretary, and a Treasurer, and may also include a Chairman of the Board, one (1) or more Vice Presidents of a class or classes, and such other officers as determined by the Board of Directors. The same person may hold any two (2) or more offices.

The following is a list of the officers and their respective titles as of December 31, 2012:

Name	Office
Dennis R. Glass	President and Chief Executive Officer
Charles A. Brawley III	Secretary
Jeffrey D. Coutts	Treasurer
Richard M. Klenk	Appointed Actuary
Ellen G. Cooper	Executive Vice President and Chief Investment Officer
Randal J. Freitag	Executive Vice President and Chief Financial Officer

Corporate Governance

The corporate governance was evaluated through a review of the Company's Corporate Governance Guidelines, Executive Officer and Board of Director member interviews, Board of Director general meeting minutes, LNC committee minutes, and other examination documentation obtained from the INDOI in its coordinated examination of the Company's affiliates. The Corporate Governance review followed the format provided by Exhibit M of the Handbook.

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. The 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, 2012.

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. Each director listed in the Management and Control section of this Report of Examination has subscribed to an Oath of Office statement in 2012.

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

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

Minutes

The Board of Directors' and Shareholder's meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during the 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 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 board committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: ALM & Equity Risk Management, Audit Committee, Compensation Committee, Corporate Governance Committee, Disclosure Committee, Enterprise Risk & Capital Committee, Finance Committee, and Investment Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the insurance company subsidiaries of LNC:

	NAIC Co. Code	Domiciliary State
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 II	13920	VT
Lincoln Reinsurance Company of Vermont III	14116	VT
Lincoln Reinsurance Company of Vermont IV	14147	VT
First Penn-Pacific Life Insurance Company	**67652**	**IN**

Affiliated Agreements

The following is a summary of the Company's financially significant affiliated agreements and transactions that were disclosed as part of the Form B – Holding Company Registration Statement and were filed as required with the INDOI in accordance with IC 27-1-23-4 and IC 27-6-1.1-5.

Short-Term Cash Management Agreement
As amended and restated effective January 6, 2012, 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. Pursuant to this agreement, the Company has loaned LNC amounts totaling $6,742,265 as of December 31, 2012.

Service Agreements
Effective April 3, 2006, the Company entered into a Master Services Agreement with LNC and LNL under which each company provides specific services and facilities for the benefit and use of the other affiliated Companies. Assigned costs are determined in accordance with customary insurance accounting practices and are reimbursed monthly. Pursuant to this agreement, the Company's net expenses were $18,239,877 in 2012.

Effective January 1, 2012, the Company entered into an Investment Advisory Agreement with Lincoln Investment Management Company (LIMC). Pursuant to the terms of the agreement, the Company has delegated 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. Pursuant to this agreement, the Company paid $2,022,981 to LIMC in 2012.

Effective January 1, 2009, the Company and LNL entered into a Services Agreement with Lincoln Financial Securities Corporation (LFSC) whereby the Company, LNL, and other affiliates provide certain services on behalf of LFSC. Allocation of expenses is determined on a reasonable basis. Pursuant to this agreement, however, the Company did not receive any fees during 2012.

Tax Sharing Agreement
Effective January 1, 1996, and amended September 15, 2010, LNL entered into a Consolidated Tax Sharing Agreement with LNC. The amendment includes LNL subsidiary companies, including the insurance subsidiaries, such that they are part of the Consolidated Tax Sharing Agreement. Prior to the current examination, the Company entered into a similar Tax Sharing Agreement with LNC, such that the end results have all the Companies file a consolidated federal tax return with LNC. Pursuant to the Tax Sharing Agreement with LNC, the Companies provide for income taxes on a separate return filing basis. The Tax Sharing Agreement also provides that the Companies will receive benefits for capital losses, net operating losses, and tax credits, which are not usable on a separate return basis to the extent such items may be utilized in the consolidated income tax returns of LNC. In 2012, the Company paid $36,858,041 under the Tax Sharing Agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from fraudulent or dishonest acts by its employees through a fidelity bond issued by Federal Insurance Company. The bond has blanket coverage of $50,000,000 with a $1,000,000 deductible. The 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, 2012 including, but not limited to, commercial auto liability, commercial general liability, directors' and officers' liability, employment practices liability, professional liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

Employees and agents of LFG participate in a non-contributory defined benefit pension plan sponsored by LNC. In addition, the Company also provides certain other post-retirement benefits to retired employees and agents, as well as defined contribution and deferred compensation plans to employees sponsored by LNC. The Company has no legal obligation for benefits under these plans. LNC allocates these plans' expenses to its affiliates based on the benefit obligation determined on each employee/retiree within an affiliate.

LNC maintains funded defined benefit pension plans for certain U.S. employees and agents. 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 the employees' and agents' defined benefit pension plan was $545,000 for 2012.

The Company's share of expense for the employees' and other post-retirement benefits was $62,000 for 2012.

All eligible employees may participate in the 401(k) plan sponsored by LNC. The expenses for the Company's portion of the 401(k) plan were $519,000 for 2012. In addition, LNC also sponsors contributory deferred compensation plans for certain employees and agents. The Company's share of expenses related to these deferred compensation plans were $333,000 for 2012. LNC is using a total return swap to mitigate the earnings effects created by the changes in value of LNC's deferred compensation plan 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 return swap.

STATUTORY DEPOSITS

The Company had the following statutory deposits at December 31, 2012:

State	Book Value	Fair Value
For All Policyholders;		
Indiana	$ 1,504,921	$ 1,519,800
All other Special Deposits;		
Arkansas	110,361	111,452
Georgia	35,115	35,462
Massachusetts	120,394	121,584
New Mexico	150,492	151,980
North Carolina	411,345	415,412
Virginia	110,361	111,452
Total Deposits	$ 2,442,989	$ 2,467,142

REINSURANCE

Assumed Reinsurance

The Company has one financially significant assumed reinsurance contract in force as of December 31, 2012. This contract involves the assumption of the mortality risk on a large block of UL and VUL business that its affiliate, LNL, had previously acquired through a reinsurance transaction with an unaffiliated life insurer. In 2012, this agreement accounted for assumed premiums of $94.3 million and assumed reserves totaling $123.1 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 $97.6 million in ceded premiums and $1.1 billion of ceded reserves in 2012.

In addition to externally placed reinsurance, the Company participates in a number of strategic reinsurance agreements with an affiliate, LNL. In 2012, these treaties accounted for ceded premiums of $8.1 million and ceded reserves of $498.7 million. The most significant of these agreements involves a portfolio of BOLI which accounted for $382.9 million in ceded reserves as of year-end 2012.

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, 2011 and 2012, were reconciled to the respective Annual Statement with no material exceptions noted. The Annual Statements for the years ended December 31, 2008, through December 31, 2012, were reconciled to each year's independent audit report with no material exceptions noted.

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY
Assets
As of December 31, 2012

	Per Examination*
Bonds	$ 1,470,081,188
Stocks:	
Preferred stocks	2,500,000
Common stocks	2,790
Mortgage loans on real estate:	
First liens	192,921,982
Real estate:	
Cash, cash equivalents and short-term investments	8,455,139
Contract loans	26,065,737
Other invested assets	8,553,623
Subtotals, cash and invested assets	1,708,580,459
Investment income due and accrued	20,864,918
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	7,126,083
Deferred premiums, agents' balances and installments booked but deferred and not yet due	129,371,040
Reinsurance:	
Amounts recoverable from reinsurers	5,571,953
Other amounts receivable under reinsurance contracts	4,334,281
Net deferred tax asset	19,060,470
Guaranty funds receivable or on deposit	822,236
Receivables from parent, subsidiaries and affiliates	1,125,794
Aggregate write-ins for other than invested assets	410,761
Totals	$ 1,897,267,995

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

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2012

	Per Examination*
Aggregate reserve for life contracts	$ 1,559,366,693
Contract Claims:	
Life	36,743,898
Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:	
Premiums and annuity considerations for life and accident and health contracts received in advance less discount	608,155
Contract liabilities not included elsewhere:	
Interest Maintenance Reserve (IMR)	5,825,778
Commissions to agents due or accrued-life and annuity contracts, accident and health and deposit-type contract funds	4,309,475
General expenses due or accrued	1,021,392
Taxes, licenses and fees due or accrued, excluding federal income taxes	3,758,797
Current federal and foreign income taxes	8,541,056
Unearned investment income	94,367
Amounts withheld or retained by company as agent or trustee	2,040,856
Remittances and items not allocated	3,089,091
Miscellaneous liabilities:	
Asset valuation reserve (AVR)	10,213,305
Payable to parent, subsidiaries and affiliates	4,156,577
Total Liabilities	1,639,769,440
Common capital stock	2,500,000
Gross paid in and contributed surplus	12,916,120
Unassigned funds (surplus)	242,082,435
Surplus	254,998,555
Total surplus and other funds	257,498,555
Total liabilities, surplus and other funds	$ 1,897,267,995

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

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY
Summary of Operations
For the Year Ended December 31, 2012

	Per Examination*
Premiums and annuity considerations for life and accident and health contracts	$ 126,983,050
Net investment income	96,850,496
Amortization of interest maintenance reserve (IMR)	221,014
Commissions and expense allowances on reinsurance ceded	29,850,834
Miscellaneous Income:	
Aggregate write-ins for miscellaneous income	(594,203)
Total	253,311,191
Death benefits	194,536,049
Annuity benefits	189,356
Disability benefits and benefits under accident and health contracts	180,787
Surrender benefits and withdrawals for life contracts	23,059,448
Interest and adjustments on contracts with life contingencies	887,509
Increase in aggregate reserves for life and accident and health contracts	(38,974,914)
Totals	179,878,235
Commissions on premiums, annuity considerations, and deposit-type contract funds	6,962,015
Commissions and expenses allowances on reinsurance assumed	55
General insurance expenses	17,361,302
Insurance taxes, licenses and fees, excluding federal income taxes	4,717,418
Increase in loading on deferred and uncollected premiums	(83,280,010)
Aggregate write-ins for deductions	(1,038,558)
Totals	124,600,457
Net gain from operations after dividends to policyholders and before federal income taxes	128,710,734
Federal and foreign income taxes incurred	41,818,221
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	86,892,513
Net realized capital gains (losses) less capital gains tax	(6,460,817)
Net income	$ 80,431,696

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

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2012	2011	2010	2009	2008
Capital and surplus, December 31, prior year	$ 209,703,478	$ 204,946,297	$ 205,403,518	$ 192,458,411	$ 186,712,700
Net income	80,431,696	30,999,349	2,052,751	31,618,118	27,325,468
Change in net unrealized capital gains or (losses) less capital gains tax	3,240,426	271,138	(1,456,676)	(1,738,732)	(1,912,192)
Change in net deferred income tax	776,224	2,753,106	(1,604,153)	(8,118,435)	6,135,762
Change in nonadmitted assets	(2,053,467)	(3,371,135)	2,751,881	(13,856,231)	13,993,236
Change in liability for reinsurance in unauthorized and certified companies	-	-	-	161,811	(156,279)
Change in asset valuation reserve	(2,457,822)	(2,943,531)	(1,976,224)	3,566,870	10,359,716
Cumulative effect of changes in accounting principles	-	-	-	6,102,458	-
Surplus adjustment:					
Change in surplus as a result of reinsurance	(2,141,980)	(2,141,995)	(2,141,992)	32,129,856	-
Dividends to stockholders	(30,000,000)	(18,000,000)	-	(50,000,000)	(50,000,000)
Aggregate write-ins for gains and losses in surplus	-	(2,809,751)	1,917,192	13,079,392	-
Net change in capital and surplus for the year	47,795,077	4,757,181	(457,221)	12,945,107	5,745,711
Capital and surplus, December 31, current year	$ 257,498,555	$ 209,703,478	$ 204,946,297	$ 205,403,518	$ 192,458,411

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2012, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no significant findings made as a result of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Actuarial Options, LLC., hereinafter collectively referred to as the "Examiners", performed an examination of First Penn-Pacific Life Insurance Company, as of December 31, 2012.

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, 2012, as determined by the undersigned.

Nadine Treon

Nadine Treon, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 6 day of March, 2014, before me personally appeared, Nadine Treon, to sign this document.

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

SAMANTHA LEIGH DOUGHERTY
Notary Public, State of Indiana
Hendricks County
Commission # 627606
My Commission Expires
July 04, 2019

My commission expires: _______________ Notary Public