

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

IN THE MATTER OF:)
)
First Penn-Pacific Life Insurance Company)
1301 South Harrison Street)
Fort Wayne, Indiana 46802-3425)


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

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Amy L. Beard, 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 June 25, 2024 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 27, 2024 _____
Date

Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 7014

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

IN THE MATTER OF:)
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1301 South Harrison Street)
Fort Wayne, Indiana 46802-3425)

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, 2018 through December 31, 2022.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 29, 2024.

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 June 25, 2024 and was received by the Company on June 26, 2024.

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, 2022.
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 this 27 day of
June, 2024.



Amy L. Beard
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, 2022

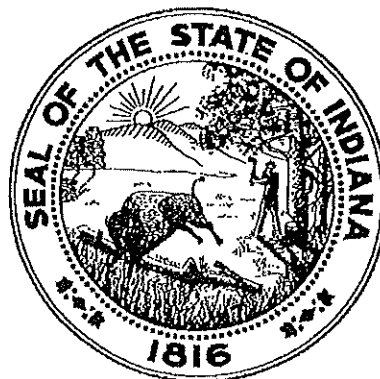


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-234-2103
Website: in.gov/doi

May 29, 2024

Honorable Amy L. Beard, 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 4135, an examination has been made of the affairs and financial condition of:

First Penn-Pacific Life Insurance Company
1301 South Harrison Street
Fort Wayne, Indiana 46802-3425

hereinafter referred to as the "Company", or "FPP", an Indiana domestic stock, life insurance company. The examination was conducted remotely with assistance from the corporate offices of the Company in Radnor, Pennsylvania.

The Report of Examination, reflecting the status of the Company as of December 31, 2022, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2989	COMPANY COMPLIANCE 317-232-3495	CONSUMER SERVICES 317-232-2395/1-800-622-4461	FINANCIAL SERVICES 317-232-2390	MEDICAL MALPRACTICE 317-232-5253	COMPANY RECORDS 317-232-2383	STATE HEALTH INSURANCE PROGRAM 1-800-452-4800
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SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2013, through December 31, 2017. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2018, through December 31, 2022, 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 Lincoln Financial Group 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, and the New York State Department of Financial Services, South Carolina Department of Insurance, and Vermont Department of Financial Regulation served as participants.

Mark Alberts, FSA, MAAA, of Alberts Actuarial Consulting, LLC, has provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2022.

Winthrop Capital Management provided all investment specialist services throughout the examination and conducted a review of the Company's investment-related risks as of December 31, 2022.

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 mentioned 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

FPP was incorporated as a business corporation under the laws of the state of Indiana on June 19, 1963. Its statutory home office is located in Fort Wayne, Indiana. The Company is a wholly-owned subsidiary of Lincoln National Corporation (LNC), which operates multiple insurance and investment management businesses through subsidiary companies. LNC is a publicly traded holding company domiciled in the state of Indiana, and maintains its principal executive offices in Radnor, Pennsylvania. The Company wrote life insurance and annuity business but is no longer marketing or writing new business and is operating in run-off.

CAPITAL AND SURPLUS

LNC owned 100% of the Company's issued and outstanding stock as of the examination date. There were 200,000 authorized shares of common stock with a par value of \$12.50. All 200,000 shares were 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>Total</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2022	\$ 22,000	\$ -	\$ 22,000
2021	45,000	-	45,000
2020	-	-	-
2019	-	-	-
2018	15,000	15,000	-
Total	<u>\$ 82,000</u>	<u>\$ 15,000</u>	<u>\$ 67,000</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. The Company paid two (2) extraordinary dividends during the examination period, in 2022 and 2021, with the prior approval of the INDOI. Other 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

FPP is licensed in all states and the District of Columbia except New York. However, the Company is no longer marketing or writing new business and is operating in run-off. FPP maintains an in-force block of individual life and fixed annuities and provides excess of loss reinsurance on certain blocks of universal life policies. The majority of in-force business is ceded to affiliated and non-affiliated companies and there are no plans to change FPP's role within the holding system.

GROWTH OF THE COMPANY

The following table 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 Earned</u>	<u>Net Income</u>
2022	\$ 1,093,299	\$ 985,661	\$ 107,638	\$ 12,346	\$ 18,443
2021	1,157,763	1,031,763	126,000	29,570	22,830
2020	1,193,735	1,037,991	155,744	(32,952)	(23,807)
2019	1,360,657	1,221,891	138,766	120,346	29,313
2018	1,442,408	1,262,505	179,903	126,612	6,034

The decrease in net admitted assets for 2022 was associated with a decrease in bonds, mortgage loans, receivables from parents, subsidiaries and affiliates, and amounts recoverable, partially offset by an increase in cash. Liabilities also decreased, mostly driven by decreases in life reserves and borrowed money. The decrease in surplus was primarily due to a dividend paid to LNC, partially offset by the Company's net income.

The decrease in premiums in 2022 is primarily a result of the 2021 reinsurance recapture of the FPP-The Lincoln National Life Insurance Company (LNL) BFA (bank fixed annuities) treaty, partially offset by an increase in renewal premiums in 2022. Net income increased during the same period due to tax savings and an increase in earnings resulting from a decrease in aggregate reserve for life contracts, partially offset by a decrease in premiums.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than five (5) and no more than fifteen (15) directors. At least one (1) of the directors must 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 as of December 31, 2022, and their principal occupations as of that date:*

<u>Name and Address</u>	<u>Principal Occupation</u>
Craig Todd Beazer King of Prussia, Pennsylvania	Executive Vice President and General Counsel Lincoln Financial Group
Jayson Reagan Bronchetti Swarthmore, Pennsylvania	Executive Vice President and Chief Investment Officer Lincoln Financial Group
Ellen Gail Cooper Gladwyne, Pennsylvania	President and Chief Executive Officer Lincoln Financial Group
Randal Jay Freitag* Devon, Pennsylvania	Executive Vice President and Chief Financial Officer Lincoln Financial Group
Keith James Ryan† Fort Wayne, Indiana	Vice President and Chief Financial Officer (Captives) Lincoln Financial Group

Officers

The Bylaws state that the elected officers of the Company shall consist of a President, a Treasurer, and a Secretary, and may also include a Chairman of the Board, a Chief Operating Officer, a Chief Financial Officer, one (1) 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 among the directors. Any two or more

* Effective February 17, 2023, Christopher Michael Neczypor of Haverford, Pennsylvania succeeded Mr. Freitag as Executive Vice President, Chief Financial Officer, and Board director.

† Effective January 18, 2023, Eric Brian Wilmer of Fort Wayne, Indiana, Assistant Vice President and Senior Counsel, succeeded Mr. Ryan as Board director.

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, 2022:

<u>Name</u>	<u>Office</u>
Ellen Gail Cooper	President and Chief Executive Officer
Shantanu Mishra [‡]	Senior Vice President and Treasurer
Elizabeth Ann Braswell	Vice President and Appointed Actuary
Nancy Smith	Secretary
Craig Todd Beazer	Executive Vice President
Jayson Reagan Bronchetti	Executive Vice President
Christopher Michael Neczypor	Executive Vice President
James Waltman Reid	Executive Vice President
Kenneth Steven 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, 2022.

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, 2022.

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.

[‡] Effective February 8, 2024, Adam Maxwell Cohen, Senior Vice President and Chief Accounting Officer, succeeded Mr. Mishra as Treasurer.

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 shall be held on the fourth Wednesday of April, or such other date within five (5) months after the close of the fiscal year. For each year under review, the annual meeting of shareholders was held 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, Compensation Committee, Corporate Governance Committee, Finance Committee, and Investment Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and affiliates as of December 31, 2022:

	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
Lincoln Financial Reinsurance Company of Vermont	16318	VT
Lincoln National Reinsurance Company (Barbados), Limited		Barbados
Lincoln National Management Corporation		PA

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, FPP 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 Agreement was amended and restated again on August 1, 2022. Pursuant to this Agreement, LNC loaned \$3.6 million to FPP in 2022.

Collateral Agency and Servicing Agreement

Effective January 3, 2018, FPP and LNL (collectively, "Lender") entered into a Collateral Agency and Servicing Agreement with Jefferson-Pilot Investments, Inc. (Collateral Agent). Under the Agreement, the Lender appoints the Collateral Agent to serve as the Assignee under the Assignment of Proceeds for each U.S. Government Lease designated by the Lender. The duties of the Collateral Agent shall be administrative in nature. No amounts were

paid pursuant to this Agreement in 2022.

Sales and Participation Agreement

Effective July 19, 2017, FPP entered into a Sale and Participation Agreement with LNL and certain other affiliates. Under this Agreement the lead lender will deduct from payments received from the borrower each participant's pro rata share of any expenses incurred related to the servicing of the mortgage loans, including payment of the applicable monthly servicing fees to third parties. No participant will be charged any fees related to the purchase of a participation. At closing, the lead lender retains the \$5,000 processing fee paid by the borrower.

Investment Advisory Agreement

As amended and restated effective October 1, 2016, FPP is party to an Investment Advisory Agreement with Lincoln Investment Management Company (LIMCO). Pursuant to the terms of the Agreement, the Company has delegated investment management responsibility to LIMCO for funds in designated accounts. Fees for this service are expressed in terms of basis points representing an annual rate of the month-end net assets managed by LIMCO. Pursuant to this Agreement, FPP paid \$874 thousand to LIMCO in 2022.

First Amended and Restated Master Services Agreement

Effective April 25, 2013, FPP is party to the First Amended and Restated Master Services Agreement with LNC, LNL, and other affiliates under which each company provides specific services and facilities for the benefit/use of the other affiliated companies. On April 1, 2018, an addition to the First Amended Agreement went into effect, which added Lincoln Financial Reinsurance Company of Vermont as a recipient of services. Effective October 1, 2021, the Liberty Life Assurance Company of Boston is no longer a party to the Master Services Agreement. Pursuant to this Agreement, FPP's total net expenses were \$2.8 million in 2022.

Tax Sharing Agreement

Effective May 2, 2007, FPP 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 taxing authorities. Additionally, LNC shall be responsible for the final determination of all computations required under this Agreement. Pursuant to this Agreement, FPP paid \$3.1 million to LNC in 2022.

Master Services Agreement

Effective May 1, 2007, FPP, LNL and various affiliates entered into a Master Services Agreement with Lincoln Life & Annuity Company of New York. The Agreement provides terms for the services provided between affiliates and replaces several previous agreements. Pursuant to this Agreement, FPP received \$11 thousand in 2022.

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. The bond has a single loss coverage limit of \$15 million with a \$1 million 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 as of December 31, 2022, including but not limited to commercial auto, commercial general liability, cyber liability, employment practices liability, management/officers and directors' liability, pension and benefit plan fiduciary liability, professional liability, management/officers' and directors' liability, and workers' compensation and employers' liability.,

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

Certain former employees and current and former 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, respectively. Eligible retiring employees and agents receive benefits based on years of service and final average earnings. The plans are funded by assets held in a master trust with Northern Trust. The Company's share of expense (benefit) for the employees' and agents' defined benefit pension plan was (\$355 thousand) in 2022.

In addition, the Company also provides certain other postretirement benefits to certain retired employees and agents sponsored by LNC and LNL, respectively. The Company's share of expense (benefit) for the employees' and agents' other postretirement benefits was (\$53 thousand) in 2022. The Company has no legal obligation for benefits under these plans. LNC and LNL allocated these plans' expenses to affiliates based on the affiliates' surplus.

Because the Company is a member of LNC consolidated group, former employees and former eligible agents of the Company were able to 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 \$92,000 in 2022. In addition, LNC and LNL also sponsor contributory nonqualified deferred compensation plans for certain former employees and agents. The Company's share of expenses related to these deferred compensation plans was \$1,000 in 2022. These expenses reflect both the Company's employees' matching contributions, as well as changes in the measurement of the Company's liabilities net of the plans' portion of the total of the return swap discussed below. The Company has no legal obligation for benefits under these plans. LNC and LNL allocate these plans' expenses based on the affiliates' surplus.

LNC uses a total return swap agreement to mitigate the earnings effects created by the change in value of the deferred compensation plan liability that result from changes in value of the underlying investment options; however, LNC's stock is not hedged by the total return swaps and is a primary source of expense volatility related to the deferred compensation plans.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits, (in 000s), as of December 31, 2022*:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 1,503	\$ 1,502
All Other Special Deposits:		
District of Columbia	35	34
Massachusetts	120	117
New Mexico	225	220
North Carolina	410	401
Virginia	110	108
Total Deposits	<u>\$ 2,404</u>	<u>\$ 2,383</u>

* The balances include immaterial rounding differences.

REINSURANCE

Reinsurance Assumed

As of the examination date, December 31, 2022, the Company reported total assumed premium of \$2.5 million and assumed coinsurance reserves of \$0. The assumed business derives from two (2) affiliated reinsurance treaties effectuated with LNL and Lincoln National Reinsurance Company (Barbados), Limited (LNBAR) during the examination period, for life and annuity business.

Reinsurance Ceded

As of the examination date, December 31, 2022, the Company reported ceded premiums of \$76.3 million and ceded reserves of \$890.6 million. These balances derive from contracts in place with affiliates and non-affiliates prior to the current examination period. Two (2) of the affiliated agreements are discussed in the Affiliated Reinsurance Agreements section below. Overall, the Company had no new reinsurance agreements implemented and no significant changes made to the existing reinsurance program during the current examination period.

Affiliated Reinsurance Agreements

Coinsurance Agreement

Effective July 2, 2007, FPP and LNL entered into a Coinsurance Agreement that coinsures the risks of the bank-owned life insurance business from FPP back to LNL in order to avoid including invested assets or net insurance exposure within FPP. Pursuant to this Agreement, the total amount of reserves ceded by FPP to LNL as of December 31, 2022, was \$366.6 million.

Automatic Indemnity Reinsurance Agreement

Effective December 31, 2009, FPP and LNL entered into an Automatic Indemnity Reinsurance Agreement providing FPP with assistance in managing its regulatory reserve requirements for level premium term life products. Pursuant to this Agreement, the total amount of reserves ceded by FPP to LNL as of December 31, 2022, was \$35.2 million.

Amended and Restated Reinsurance Agreements

Effective June 30, 2020, LNL, FPP, and LNBAR entered into two (2) Amended and Restated Reinsurance Agreements, a Self-Administered YRT Agreement and a Self-Administered MRT Agreement. Both LNL and FPP were parties to these two agreements with LNBAR. Under the Self-Administered YRT Agreement and Self-Administered MRT Agreement, the total amount of risk ceded by LNL and FPP to LNBAR for both agreements as of December 31, 2022, was \$71.2 thousand and \$4.9 thousand, respectively.

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 balance prepared from the Company's general ledger for the year ended December 31, 2022 was agreed to the Annual Statement. The Annual Statement for the year ended December 31, 2022 was agreed to the 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, 2022

(in 000s)

	<u>Per Examination*</u>
Bonds	\$ 895,512
Stocks:	
Preferred stocks	716
Mortgage loans on real estate:	
First liens	88,948
Cash, cash equivalents and short-term investments	2,838
Contract loans	13,655
Other invested assets	18,264
Subtotals, cash and invested assets	<u>1,019,934</u>
Investment income due and accrued	11,967
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	1,004
Deferred premiums, agents' balances and installments booked but deferred and not yet due	34,096
Reinsurance:	
Amounts recoverable from reinsurers	12,018
Current federal and foreign income tax recoverable and interest thereon	2,984
Net deferred tax asset	8,315
Guaranty funds receivable or on deposit	2,745
Receivables from parent, subsidiaries and affiliates	235
Total	<u>\$ 1,093,299</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts. In addition, the balances include immaterial rounding differences.

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY
 Liabilities, Surplus and Other Funds
 As of December 31, 2022
 (in 000s)

	Per Examination*
Aggregate reserve for life contracts	\$ 930,336
Contract claims:	
Life	11,168
Premiums and annuity considerations for life and accident and health contracts received in advance	174
Contract liabilities not included elsewhere:	
Interest Maintenance Reserve (IMR)	1,941
Commissions to agents due or accrued	295
Commissions and expense allowances payable on reinsurance assumed	16
Taxes, licenses and fees due or accrued, excluding federal income taxes	3,844
Unearned investment income	29
Amount withheld or retained by reporting entity as agent or trustee	7,996
Remittances and items not allocated	17,399
Miscellaneous liabilities:	
Asset valuation reserve (AVR)	9,009
Payable to parent, subsidiaries and affiliates	3,455
Payable for securities lending	1
Total liabilities	985,661
Common capital stock	2,500
Gross paid in and contributed surplus	12,916
Unassigned funds (surplus)	92,222
Surplus	105,138
Total surplus and other funds	107,638
Totals	\$ 1,093,299

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts. In addition, the balances include immaterial rounding differences.

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY
Summary of Operations
For the Year Ended December 31, 2022
(in 000s)

	Per Examination*
Premiums and annuity considerations for life and accident and health contracts	\$ 12,346
Net investment income	53,540
Amortization of Interest Maintenance Reserve (IMR)	333
Commissions and expense allowances on reinsurance ceded	21,941
Miscellaneous income:	
Aggregate write-ins for miscellaneous income	9
Total	88,169
Death benefits	82,939
Annuity benefits	90
Disability benefits and benefits under accident and health contracts	584
Surrender benefits and withdrawals for life contracts	11,657
Interest and adjustments on contracts or deposit-type contract funds	617
Increase in aggregate reserves for life and accident and health contracts	(32,347)
Totals	63,540
Commissions on premiums, annuity considerations, and deposit-type contract funds	1,908
Commissions and expense allowances on reinsurance assumed	(10)
General insurance expenses and fraternal expenses	5,736
Insurance taxes, licenses and fees, excluding federal income taxes	1,947
Increase in loading on deferred and uncollected premiums	215
Aggregate write-ins for deductions	(2,268)
Totals	71,068
Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	17,100
Federal and foreign income taxes incurred	2,552
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	14,548
Net realized capital gains (losses) excluding gains (losses) transferred to the IMR	3,894
Net income	\$ 18,443

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts. In addition, the balances include immaterial rounding differences.

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

	2022	2021	2020	2019	2018
Surplus as regards policyholders, December 31 prior year	\$ 126,000	\$ 155,744	\$ 138,766	\$ 179,903	\$ 188,958
Net income	18,443	22,830	(23,807)	29,313	6,034
Change in net unrealized capital gains or (losses) less capital gains tax	(2,538)	2,310	256	-	-
Change in net deferred income tax	540	201	(2,654)	1,058	456
Change in nonadmitted assets	(2,317)	(118)	1,175	(258)	811
Change in asset valuation reserve	915	(45)	1,130	(694)	786
Cumulative effect of changes in accounting principles	-	-	-	(68,414)	-
Surplus adjustments:					
Change in surplus as a result of reinsurance	(9,067)	(9,922)	40,877	(2,142)	(2,142)
Dividends to stockholders	(22,000)	(45,000)	-	-	(15,000)
Aggregate write-ins for gains and losses in surplus	(2,338)	-	-	-	-
Net change in capital and surplus for the year	<u>(18,361)</u>	<u>(29,745)</u>	<u>16,978</u>	<u>(41,136)</u>	<u>(9,055)</u>
Capital and surplus, December 31, current year	<u>\$ 107,638</u>	<u>\$ 126,000</u>	<u>\$ 155,744</u>	<u>\$ 138,766</u>	<u>\$ 179,903</u>

** Balances include immaterial rounding differences.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2022, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no significant issues identified during the examination.

SUBSEQUENT EVENTS

The following event subsequent to the examination date and prior to the completion of field work was identified which is considered a material event requiring disclosure in this Report of Examination were noted.

Subsequent to the filing of the 2023 FPP annual statement and during preparation of the audited FPP statutory financial statements for the year ended December 31, 2023, the Company identified reinsurance related errors that, in aggregate, are deemed to merit a restatement of the FPP statutory financial statements as of December 31, 2022. As a result, the Company will restate the 2022 audited statutory financial statements and will amend the 2022 and 2023 annual statements and March 31, 2024 quarterly financial statement. The restatement resulted in a reduction in net income of \$7.8 million and an aggregate write-in for losses in surplus of \$2.3 million, and a net reduction in surplus of \$10.1 million from the prior filed December 31, 2022 statutory financial statement.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that they, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Alberts Actuarial Consulting, LLC, and investment specialist assistance from Winthrop Capital Management, performed an examination of First Penn-Pacific Life Insurance Company, as of December 31, 2022.

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 the condition of the First Penn-Pacific Life Insurance Company as of December 31, 2022, as determined by the undersigned.



Barry Armstrong, CFE
Noble Consulting Services, Inc.

State of: South Carolina

County of: Horry

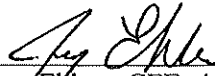
On this 24th day of June, 2024, before me personally appeared, Barry Armstrong, to sign this document.

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: 11-7-2029 
Notary Public



Under the Supervision of:



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

State of: Indiana
County of: Marion

On this 25th day of June, 2024, before me personally appeared, 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 11, 2025 Lorie A. Ellert
Notary Public

