

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

IN THE MATTER OF: )  
 )  
Paragon Life Insurance Company of Indiana )  
401 Pennsylvania Parkway, Suite 300 )  
Indianapolis, IN 46280 )

Examination of: **Paragon Life Insurance Company of Indiana**


**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 Paragon Life Insurance Company of Indiana, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on June 8, 2015, 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 Paragon Life Insurance Company of Indiana 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.

6/28/2017  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8780**

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401 Pennsylvania Parkway, Suite 300 )  
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Examination of: **Paragon Life Insurance Company of Indiana**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Paragon Life Insurance Company of Indiana (hereinafter "Company") for the time period January 1, 2011 through December 31, 2015.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on May 17, 2017.

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 8, 2017 and was received by the Company on June 12, 2017.

The Company did not file any objections.

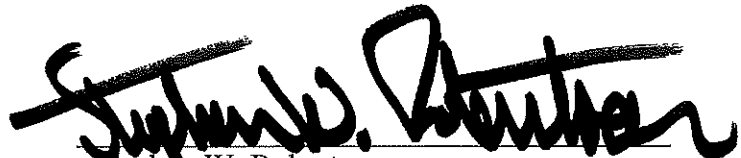
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Paragon Life Insurance Company of Indiana as of December 31, 2015.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Paragon Life Insurance Company of Indiana 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 28<sup>th</sup> day of  
June, 2017.



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 handwritten signature in black ink, appearing to read "Michael D. ...". The signature is written in a cursive style with a large initial "M" and a long horizontal stroke extending to the right.

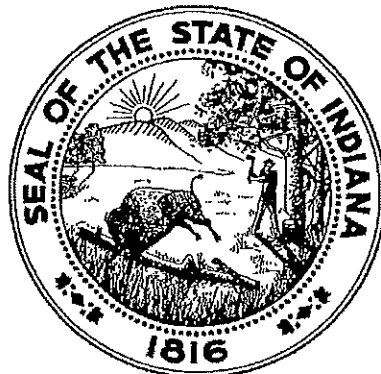
**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**PARAGON LIFE INSURANCE COMPANY OF INDIANA**

NAIC Co. CODE 14029  
NAIC GROUP CODE 0431

As of

December 31, 2015



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# STATE OF INDIANA

# IDOI

ERIC HOLCOMB, 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

May 17, 2017

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 3915 an examination has been made of the affairs and financial condition of:

**Paragon Life Insurance Company of Indiana**  
**401 Pennsylvania Parkway, Suite 300**  
**Indianapolis, Indiana 46280**

hereinafter referred to as the "Company", or "PLIC", an Indiana domestic stock life and annuity insurance company. The examination was conducted at the corporate offices of the Company in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2015, is hereby respectfully submitted.

ACCREDITED BY THE

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES (317) 232-2413    COMPANY COMPLIANCE (317) 233-0697    CONSUMER SERVICES (317) 232-2395    EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390    MEDICAL MALPRACTICE (317) 232-2402    COMPANY RECORDS (317) 232-5692    STATE HEALTH INSURANCE PROGRAM 1-800-332-4674  
1-800-622-4461

## SCOPE OF EXAMINATION

The Company had a preliminary examination completed as of January 31, 2011, by the Indiana Department of Insurance (INDOI). The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2011 through December 31, 2015, 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 Delaware domestic insurance company of Guggenheim Life and Annuity Company (GLAC) was called by the Delaware Department of Insurance (DDOI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The DDOI served as the lead state on the examination, and the INDOI and the Texas Department of Insurance served as participants.

James Miles, FSA, MAAA, provided actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2015.

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 defined in 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

PLIC was formed in January 2011, and is a wholly owned subsidiary of PLIC Holdings, LLC (PLIC Holdings), a Delaware holding company created for the sole purpose of owning the Company. The Company's upstream indirect parent, Guggenheim Capital, LLC (Guggenheim Capital), a Delaware limited liability company, owns 100% of PLIC Holdings. Guggenheim Capital is a privately held global financial services firm. The only owner of more than 10% of Guggenheim Capital is Sage Assets, Inc., a wholly owned subsidiary of Sammons Enterprise, Inc. (SEI). Through its holdings of 100% of SEI common stock, the Ultimate Controlling Person of the Company is The Sammons Enterprises, Inc., ESOT.

The Company was incorporated in connection with transactions contemplated by the Agreement and Plan of Reorganization (Reorganization Agreement) dated December 15, 2010 by and among GLAC, Standard Life Insurance Company of Indiana (SLIC), and the Rehabilitator of SLIC. At the closing of the aforementioned agreement, the Company assumed 100% of SLIC's funding agreements issued to the Federal Home Loan Bank of Indianapolis. In addition, the Company assumed selected Fixed Annuity blocks of business from GLAC under an Indemnity Retrocession Agreement.



## CAPITAL AND SURPLUS

The Company had 100,000 no par value common shares authorized and 100 shares issued and outstanding at December 31, 2015. All common stock is directly owned by PLIC Holdings. The Company has no preferred stock issued or outstanding.

## DIVIDENDS TO STOCKHOLDERS

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

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2015	\$ 3,000	\$ 3,000	\$ -
2014	-	-	-
2013	-	-	-
2012	-	-	-
2011	-	-	-
Total	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</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 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.

During February 2011, the Company received a capital contribution of \$42,500,000 from PLIC Holdings. An additional \$10,000,000 and \$20,000,000 of capital were accrued as of December 31, 2012 and December 31, 2011, respectively, with the approval of the INDOI, and the capital contributions were received in cash on February 27, 2013, and February 28, 2012.

## TERRITORY AND PLAN OF OPERATION

The Company is a licensed insurer in the states of Delaware and Indiana. PLIC is a stock life and annuity insurance company domiciled in Indiana. PLIC's primary business consists of annuity contracts assumed through the Indemnity Retrocession Agreement with GLAC. Individual fixed deferred annuities make up the majority of the in-force contracts. No direct business has been sold to the public by PLIC to date.

## GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus and Other Funds <sup>A</sup>	Premiums and Annuity Considerations	Net Income (Loss)
2015 <sup>B</sup>	\$ 1,826,095	\$ 1,732,342	\$ 93,752	\$ 57,483	\$ 31,086
2014	1,837,603	1,759,476	78,127	108,337	18,084
2013	1,792,660	1,721,509	71,151	189,174	20,859
2012	1,697,718	1,631,164	66,554	292,892	6,038
2011	1,490,514	1,433,836	56,678	354,984	(1,469)

A change to Surplus and Other Funds in 2015 was primarily the result of net income. Premiums Earned continued to decrease as expected due to reinsurance assumed from GLAC as part of the Indemnity Reinsurance Agreement.

## MANAGEMENT AND CONTROL

### Directors

The Bylaws provide that the number of directors of the Company shall consist of at least five (5) members with the exact number to be fixed from time to time pursuant to a resolution adopted by a majority of the Board of Directors (Board) in office. A majority of directors must, during their entire terms of service, be citizens of the United States or Canada, and at least one (1) of the directors must reside in the state of Indiana. The directors shall be elected each year at the annual meeting of the stockholders to hold office until the next annual meeting or until his or her successor is elected and qualified, except as otherwise provided herein or required by law. Whenever the authorized number of directors is increased between annual meetings of the stockholders, a majority of the directors then in office shall have the power to elect such new directors for the balance of a term and until their successors are elected and qualified. Any decrease in the authorized number of directors shall not become effective until the expiration of the term of the directors then in office unless, at the time of such decrease, there shall be vacancies on the Board which are being eliminated by the decrease; provided, however, that no decrease shall reduce the number of directors to less than that which is required under the Indiana Insurance Law.

<sup>A</sup> The balances include immaterial rounding differences.

<sup>B</sup> In 2015, the Company filed an amended Annual Statement.

The following is a listing of persons serving as directors as of December 31, 2015, and their principal occupations as of that date:

Name and Address	Principal Occupation
Donald Christopher Cacciapaglia Rye, New York	Senior Managing Director Guggenheim Capital, LLC
David Lee Korman Chicago, Illinois	Chief Legal Officer Guggenheim Partners, LLC
Jose Alejandro Longoria Chicago, Illinois	Managing Director Guggenheim Partners, LLC
James Darrell Purvis Carmel, Indiana	Chief Operating Officer Paragon Life Insurance Company of Indiana
Daniel Jonathan Towriss Zionsville, Indiana	President and Chief Executive Officer Paragon Life Insurance Company of Indiana

#### Officers

The Bylaws state that the officers of the Company shall consist of a Chief Executive Officer, President, Chief Operating Officer, Secretary, Treasurer, and such Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as may from time to time be appointed by the Board. Officers shall be elected by the Board, which shall consider that subject at its first meeting after every annual meeting of stockholders. Each officer shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any number of offices may be held by the same person. The Board may leave unfilled for any such period as it may fix, any office, except those of President and Secretary. The following is a list of key officers and their respective titles as of December 31, 2015:

Name	Office
Daniel Towriss <sup>A</sup>	President and Chief Executive Officer
David Montgomery	Controller and Treasurer
James Foorman <sup>B</sup>	Secretary
Erich Schram	Chief Investment Officer
James Purvis	Chief Operating Officer
Jill Factor <sup>C</sup>	Assistant Secretary
James O'Donnell	Chief Information Officer, Guggenheim Partners, LLC
Dale Uthoff <sup>D</sup>	Chief Risk Officer
Curtis Stegar <sup>E</sup>	Chief Actuary

<sup>A</sup> Effective December 7, 2016, Daniel Towriss resigned as the Appointed Actuary of the Company and John Richardson was appointed as the Appointed Actuary of the Company.

<sup>B</sup> Effective July 22, 2016, James Foorman resigned as Secretary of the Company and Stephen Coons was appointed Secretary of the Company.

<sup>C</sup> Effective December 7, 2016, Jill Factor resigned as General Counsel and Assistant Secretary of the Company. Effective July 11, 2016, Ryan Cloud was appointed General Counsel and Assistant Secretary of the Company.

<sup>D</sup> Effective November 16, 2015, Dale Uthoff was appointed Chief Risk Officer of the Company.

<sup>E</sup> Effective November 16, 2015, Curtis Steger was appointed Chief Actuary of the Company.

## 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 not subscribed to an oath as of December 31, 2015. See the **Other Significant Issues** section of this Report of Examination.

## CORPORATE RECORDS

### Articles of Incorporation

The Articles of Incorporation were approved by the state of Indiana and effective as of January 5, 2011. There were no amendments made to the Articles of Incorporation since the initial approval.

### Bylaws

The Bylaws were filed with the state of Indiana and effective as of January 7, 2011. There were no amendments made to the Bylaws since the initial filing.

### 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. For each year under review, the annual meeting of shareholders was not held within five (5) months after the close of each fiscal year. See the **Other Significant Issues** section of this Report of Examination.

The committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees that report to the Board: Enterprise Risk Management Committee, Financial Oversight & Review Committee, Investment Committee, and Steering Committee.

## AFFILIATED COMPANIES

### Organizational Structure

The following is an abbreviated organizational chart, which shows the Company's upstream affiliates and subsidiaries as of December 31, 2015:

	<u>NAIC Co. Code</u>	<u>Domiciliary State</u>
Sammons Enterprises, Inc. ESOT		
Sammons Enterprises, Inc.		
Consolidated Investment Services, Inc.		
Sammons Equity Alliance, Inc.		
SAGE Assets, Inc.		
Guggenheim Capital, LLC <sup>A</sup>		
Guggenheim Partners, LLC		
GP Holdco, LLC <sup>B</sup>		
GPFT Holdco, LLC		
Guggenheim Insurance Holdco, LLC		
PLIC Holdings, LLC		
<b>Paragon Life Insurance Company of Indiana</b>	<b>14029</b>	<b>IN</b>
Paragon GBM Investco, LLC		

### 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.

#### *Management Services Agreement*

A Management Services Agreement effective March 1, 2011, between the Company and Guggenheim Insurance Services (GIS), was amended and restated in its entirety effective January 1, 2013. The agreement was approved by the INDOI on May 22, 2013. Under the agreement, GIS provides accounting, tax compliance, planning and reporting, general compliance, office administration, and technology services. GIS also provides services related to marketing and compliance, risk management, reporting, customer and client service, and reinsurance administration. During 2015, PLIC incurred fees for services of \$2,534,534 to GIS.

#### *Investment Management Agreement*

The Company has an Investment Management Agreement effective March 1, 2011, with Guggenheim Partners Asset Management, LLC, now known as Guggenheim Partners Investment Management, LLC (GPIM), for investment management services which include administrative and reporting services. Costs under this agreement are shown as investment expenses and are a deduction from net investment income. During 2015, PLIC paid GPIM \$2,624,785 for these services.

<sup>A</sup> 35.2% owned by SAGE Assets, Inc.

<sup>B</sup> 99.5% owned by Guggenheim Partners, LLC

*Intercompany Loan Program*

PLIC participates in an Intercompany Loan Program in which PLIC makes short-term loans (maturity of less than one (1) year from issue) to its affiliates. The program requires that no single loan be greater than 2% of admitted assets of PLIC and the aggregate value of all loans outstanding under the program must be less than 10% of admitted assets of PLIC. As of December 31, 2015, the aggregate value of loans outstanding under this program was \$24,903,883.

*Intercompany Services Agreement – GCREF*

The Company executed an Intercompany Services Agreement with Guggenheim Commercial Real Estate Finance, LLC (GCREF), an affiliate, which was approved by the INDOI on May 21, 2013. Under the agreement, which was effective as of January 1, 2013, PLIC engaged GCREF to provide mortgage loan sourcing, origination, and administration services. Mortgage loans proposed under the agreement must be approved prior to funding by PLIC. All services are subject to PLIC’s established policies and procedures. Fees incurred under this agreement for the period ending December 31, 2015 were \$403,302.

*Intercompany Services Agreement – GPIM*

The Company also has an Intercompany Services Agreement with GPIM effective October 1, 2011, for services with respect to assets that GPIM does not manage. The Intercompany Services Agreement was amended effective January 1, 2013, to reduce the servicing fee. The amendment was approved by the INDOI on May 13, 2013. Costs under this agreement are shown as investment expenses and are a deduction from net investment income. During 2015, PLIC incurred fees for services of \$355,597 from GPIM.

**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 Federal Insurance Company. The bond has a coverage limit of \$5,000,000, with a \$500,000 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, 2015, including but not limited to automobile liability, commercial general liability, umbrella liability, and workers’ compensation and employers’ liability.

**PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS**

The Company has no employees; therefore the Company does not have any pension, stock ownership, or insurance plans.

**SPECIAL DEPOSITS**

The Company reported the following special deposits, (in 000s), at December 31, 2015:

State	Book Value	Fair Value
Deposits for the Benefit of All Policyholders:		
Indiana	\$ 1,001	\$ 995
Total Deposits	<u>\$ 1,001</u>	<u>\$ 995</u>

## REINSURANCE

### Assumed Reinsurance

PLIC and GLAC entered into an Indemnity Retrocession Agreement on March 2, 2011, with an effective date of January 31, 2011, which was approved by the INDOI on February 25, 2011 and the DDOI on February 28, 2011. Under the agreement, GLAC, as ceding company, ceded and PLIC reinsured, on a 100% coinsurance with funds withheld basis, (a) selected policies reinsured by GLAC from SLIC as contemplated by the Reorganization Agreement dated December 15, 2010 and (b) policies reinsured by GLAC from another unaffiliated insurance company, including policies that GLAC reinsures as such policies are written. Aggregate reserves assumed from this agreement as of December 31, 2015, were approximately \$1,195.9 million.

### Ceded Reinsurance

The Company does not participate as a ceding company in any reinsurance agreements.

## 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, 2015 was agreed to the respective Annual Statement. The Annual Statements for the years ended December 31, 2011 through December 31, 2015, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

PARAGON LIFE INSURANCE COMPANY OF INDIANA

Assets

As of December 31, 2015<sup>A\*\*</sup>  
(in 000's)

	<u>Per Examination*</u>
Bonds	\$ 721,783
Stocks:	
Common stocks	35,549
Mortgage loans on real estate:	
First liens	104,105
Cash, cash equivalents and short-term investments	145,146
Other invested assets	99,150
Subtotals, cash and invested assets	<u>1,105,734</u>
Investment income due and accrued	11,170
Reinsurance:	
Funds held by or deposited with reinsured companies	706,433
Current federal and foreign income tax recoverable and interest thereon	2,758
Totals	<u>\$ 1,826,095</u>

<sup>A</sup> In 2015, the Company filed an amended Annual Statement.

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

\*\* The balances include immaterial rounding differences.



PARAGON LIFE INSURANCE COMPANY OF INDIANA  
 Liabilities, Surplus and Other Funds <sup>A\*\*</sup>  
 As of December 31, 2015  
 (in 000's)

	Per Examination*
Aggregate reserve for life contracts	\$ 1,157,318
Liability for deposit-type contracts	529,049
Interest maintenance reserve (IMR)	5,845
General expenses due or accrued	374
Net deferred tax liability	26,863
Amounts withheld or retained by company as agent or trustee	428
Remittances and items not allocated	0
Miscellaneous liabilities:	
Asset valuation reserve (AVR)	8,728
Payable to parent, subsidiaries and affiliates	2,890
Payable for securities lending	848
Total liabilities	1,732,342
Common capital stock	1,000
Gross paid in and contributed surplus	73,500
Unassigned funds (surplus)	19,252
Total surplus and other funds	93,752
Totals	\$ 1,826,095

<sup>A</sup> In 2015, the Company filed an amended Annual Statement.

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

\*\* The balances include immaterial rounding differences.

PARAGON LIFE INSURANCE COMPANY OF INDIANA  
 Summary of Operations <sup>A\*\*</sup>  
 For the Year Ended December 31, 2015  
 (in 000's)

	Per Examination*
Premiums and annuity considerations for life and accident and health contracts	\$ 57,483
Considerations for supplementary contracts with life contingencies	354
Net investment income	89,155
Amortization of Interest Maintenance Reserve (IMR)	1,567
Total	148,560
Annuity benefits	35,566
Surrender benefits and withdrawals for life contracts	76,649
Interest and adjustments on contract or deposit-type contract funds	11,888
Payments on supplementary contracts with life contingencies	2,084
Increase in aggregate reserves for life and accident and health contracts	(15,135)
Totals	111,052
Commissions and expense allowances on reinsurance assumed	4,886
General insurance expenses	10,626
Insurance taxes, licenses and fees, excluding federal income taxes	36
Totals	126,600
Net gain from operations after dividends to policyholders and before federal income taxes	21,959
Federal and foreign income taxes incurred	(2,696)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	24,656
Net realized capital gains (losses) less capital gains tax	6,430
Net income	\$ 31,086

<sup>A</sup> In 2015, the Company filed an amended Annual Statement.

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

\*\* The balances include immaterial rounding differences.

PARAGON LIFE INSURANCE COMPANY OF INDIANA  
 Capital and Surplus Account Reconciliation<sup>A\*\*</sup>  
 (in 000s)

	2015 <sup>B</sup>	2014	2013	2012	2011
Capital and surplus, December 31, prior year	\$ 78,127	\$ 71,151	\$ 66,554	\$ 56,678	\$ -
Net income	31,086	18,084	20,859	6,038	(1,469)
Change in net unrealized capital gains (losses) less					
capital gains tax	(5,556)	(1,785)	(3,948)	66	109
Change in net deferred income tax	(9,992)	(7,927)	(10,704)	(1,808)	(2,475)
Change in asset valuation reserve	3,088	(1,397)	(2,012)	(4,420)	(3,987)
Capital changes					
Paid in	-	-	-	-	1,000
Surplus adjustment					
Paid in	-	-	-	10,000	63,500
Dividends to stockholders	(3,000)	-	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	402	-	-
Net change in capital and surplus for the year	<u>15,626</u>	<u>6,976</u>	<u>4,597</u>	<u>9,876</u>	<u>56,678</u>
Capital and surplus, December 31, current year	<u>\$ 93,752</u>	<u>\$ 78,127</u>	<u>\$ 71,151</u>	<u>\$ 66,554</u>	<u>\$ 56,678</u>

<sup>A</sup> In 2015, the Company filed an amended Annual Statement.

<sup>\*\*</sup> The balances include immaterial rounding differences.

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2015, based on the results of this examination.

### OTHER SIGNIFICANT ISSUES

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 three (3) directors had not signed an Oath of Office statement. It is recommended that every director shall take and subscribe to an Oath of Office at the time of annual election to the Board.

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. It was determined that the annual meeting of shareholders was not held within five (5) months after the close of the fiscal year of the Company. It is recommended that the Company hold its annual meeting of shareholders within five (5) months after the close of the fiscal year of the Company.

### SUBSEQUENT EVENTS

Subsequent to the examination date and prior to the completion of fieldwork, PLIC took corrective actions on the following significant issue:

The annual meeting of shareholders was held within five (5) months after the close of the 2015 fiscal year of the Company in 2016.

**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., and actuarial assistance from James Miles, Actuary, and Julie Stephenson, Actuary, performed an examination of Paragon Life Insurance Company of Indiana, as of December 31, 2015.

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 Paragon Life Insurance Company of Indiana as of December 31, 2015, as determined by the undersigned.

Thomas Masterson, CFE  
Noble Consulting Services, Inc.

Under the Supervision of,

Jerry Ehlers, CFE  
Examinations Manager  
Indiana Department of Insurance

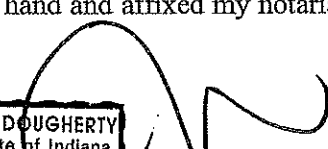
State of: Indiana  
County of: Marion

On this 17 day of May, 2017, before me personally appeared, Thomas Masterson 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



  
Notary Public

