

DOCKET NO.: X06-UWY-CV-24-6085274-S	:	SUPERIOR COURT
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INSURANCE COMMISSIONER OF THE STATE OF CONNECTICUT	:	COMPLEX LITIGATION DOCKET
	:	
v.	:	AT WATERBURY
	:	
PHL VARIABLE INSURANCE COMPANY, ET AL.	:	NOVEMBER 20, 2025
	:	
	:	

REHABILITATOR’S THIRD ACCOUNTING AND STATUS REPORT

Andrew N. Mais, Insurance Commissioner of the State of Connecticut, as Rehabilitator of PHL Variable Insurance Company (“PHL”) and its subsidiaries, Concord Re, Inc. (“Concord”) and Palisado Re, Inc. (“Palisado” and, together with PHL and Concord, the “Companies”), submits this Third Accounting and Status Report as to the status and affairs of the Companies pursuant to Conn. Gen. Stat. § 38a-915(b).

I. Significant Developments since Second Accounting and Status Report

On November 20, 2024, the Rehabilitator filed his First Accounting and Status Report on the status and affairs of the Companies. Background information regarding the Companies, the Rehabilitation proceeding, the Moratorium, and the Companies’ operations and financial condition were covered in the First Accounting and Status Report.¹ On May 20, 2025, the Rehabilitator filed his Second Accounting and Status Report on the status and affairs of the Companies. Both reports are available on the PHL Rehabilitation Website (portal.ct.gov/cid/home/phl). The Rehabilitator reports the following significant developments since May 20, 2025.

¹ Capitalized terms used but not defined herein have the meaning ascribed to them in the First Accounting and Status Report.

A. Marketing and Sale Process

The Rehabilitator, working with his financial, actuarial and legal advisors, initiated a process to solicit indications of interest from parties potentially interested in purchasing and/or reinsuring all or portions of PHL. As detailed in the Second Accounting and Status Report, this was a multi-phased process that included the preparation of a virtual data room containing certain financial, operational, actuarial and other business information (“Confidential Evaluation Material”) related to the Companies, and the identification and engagement of more than fifty potential counterparties.

Counterparties were vetted by Keefe, Bruyette & Woods (“KBW”), the Companies’ financial and investment banking advisor. Those that were qualified and had a reasonable prospect of completing a transaction with PHL were presented with the opportunity to enter into a confidentiality and non-disclosure agreement (“NDA”) and receive access to Confidential Evaluation Material to assist their review of the Companies and develop proposals setting forth the terms and conditions pursuant to which they would acquire or reinsure all or portion(s) of PHL. Twenty-seven parties (“Interested Parties”) executed NDAs and were provided access to Confidential Evaluation Material.

Interested Parties were provided with instructions setting forth the requested content and timing for submitting a written indication of interest that would describe their proposed form of transaction. They were also given the opportunity to conduct due diligence on the Companies, including access to materials in the virtual data room, the actuarial appraisal report prepared by Lewis & Ellis (the Companies’ outside actuarial advisor), marketing materials prepared by KBW, and the opportunity to submit questions to, and request calls and virtual meetings with, the

Rehabilitator's team of advisors. The Rehabilitator's team engaged with all Interested Parties to respond to questions and requests for information in support of their evaluation of the Companies.

Eight parties submitted initial non-binding indications of interest by the end of July. Three proposals contemplated an acquisition or reinsurance of PHL in its entirety and five were specific to certain blocks of business. The Rehabilitator's team reviewed each proposal in extensive detail. This was an iterative process with the bidders, including calls between the Rehabilitator's advisors and the bidders to ask questions and seek clarification on the proposals received. The Rehabilitator and his team also engaged in regular internal discussions about each of the proposals to discuss the benefits, risks, opportunities and challenges presented by each proposal, and align on the feedback to be provided to each bidder. The Rehabilitator determined it was in the best interest of the Companies and PHL policyholders to continue discussions with all eight bidders.

The eight bidders were then provided instructions for submitting an updated proposal. The Rehabilitator and his advisors asked the various bidders to confirm their initial proposals or any intended changes, detail their go-forward operational plans for the business, identify any regulatory or internal approvals required, and outline their intended timeline for consummating a transaction. The bidders were also asked to provide a list of additional due diligence information they needed in order to submit a revised indication of interest. The additional information requests received by the Rehabilitator covered actuarial, financial, legal, regulatory, operational, investments and structural matters and discussion topics. The Rehabilitator and his team provided prompt, thorough responses to each bidder, where reasonably possible, through data extracts, written responses, incremental analyses and conference calls with the team of actuarial, financial and legal advisors supporting the Rehabilitator.

As of the date of this Report, five parties have submitted revised non-binding indications of interest, consisting of three whole company proposals and two partial company (or block) proposals. In addition, one party that did not previously submit an indication of interest has submitted an initial indication of interest proposing a whole company transaction. The Rehabilitator, together with his team of advisors, is in the process of thoroughly reviewing each of the proposals and requesting clarifications on the terms of the proposals from the bidders where necessary. The Rehabilitator expects to continue to engage with bidders to clarify their proposals, assess the viability of the proposals, and negotiate terms in an effort to achieve the best outcome for policyholders and move the process forward as expeditiously as possible. The Rehabilitator intends to make a determination on which transaction(s) proposal(s) he intends to pursue before the end of the year. Although there is no certainty that a transaction will occur, the Rehabilitator continues to believe that a transaction has the potential to deliver at least as much, and possibly more, value to policyholders than would be received in a liquidation of the Companies.

B. Rehabilitation Plan Development

As part of the Rehabilitator's review and evaluation of the proposals received, the Rehabilitator and his team are developing and evaluating possible structures and terms of a rehabilitation plan that could be used to implement the various proposals. For example, a proposal to acquire the equity of PHL would require a different purchase structure than the acquisition of a particular block of business, which may require a reinsurance transaction. The Rehabilitator expects to file an outline of the terms of a rehabilitation plan by year-end. The rehabilitation plan will adhere to the principle that policyholders receive at least as much value under the plan as they would in liquidation.

C. Third Party Claims

As discussed in the Second Accounting and Status Report, the Rehabilitator has determined that the Companies have viable claims against third parties. These claims seek recovery of funds into the Companies' receivership estate, but, even if successful, the amounts will not be sufficient to return the Companies to solvency. The Rehabilitator remains open to resolving the claims prior to filing litigation. If an acceptable resolution that would be in the best interests of policyholders cannot be achieved, the Rehabilitator intends to file a lawsuit against such parties. If a resolution or settlement can be reached, the Rehabilitator will file a motion with the Court for approval.

D. Companies' Investment Assets

As outlined in the Second Accounting and Status Report, PHL's Investment Committee has continued to explore potential dispositions of some of the Companies' more complex, structured, and riskier assets, including alternative assets, collateralized loan obligations, asset-backed securities, commercial mortgage backed securities and other real estate-backed assets. The Investment Committee has continued to take a very disciplined approach of repositioning the Companies' portfolio into cash, short-term investments and high quality, short duration bonds as market conditions have allowed while continuing to maximize and preserve the value of the Companies' overall portfolio.

As a result of the Investment Committee's actions, 79% of the Companies' invested assets, across both the general account and separate account, are in higher quality asset classes with predictable and stable cash flows (having increased from 70% as of March 31, 2025).

The Investment Committee's actions along with implementation of the Moratorium have resulted in a significant improvement of the Companies' liquidity position. The Companies' cash, cash equivalents, and short-term investments increased from \$170 million as of December 31,

2024 (including \$23 million in reinsurer-specific segregated accounts) to \$437.5 million as of September 30, 2025 (including \$89.9 million in reinsurer-specific segregated accounts). The Investment Committee is currently exploring options to effectively reinvest the Companies' cash and short-term investments into higher yielding, yet short duration, high quality instruments.

II. Moratorium Modification

On July 22, 2025, the Rehabilitator filed a motion to modify the Moratorium Order entered at the outset of the rehabilitation proceeding. The rationale behind the Rehabilitator's decision to seek the modification was discussed in detail in the Second Accounting and Status Report and in the pleadings filed with the Court, which are available through the PHL Rehabilitation Website (portal.ct.gov/cid/home/phl). The Rehabilitator received 66 informal comments and 26 formal comments on the proposed modifications. The Rehabilitator carefully considered each of the comments received, and summarized and addressed the formal comments in the Rehabilitator's Reply Memorandum in Further Support of the Motion (filed on October 7, 2025, and available through the PHL Rehabilitation Website). The Motion was fully briefed and oral argument was held before Judge Klau on October 21, 2025. The parties await a ruling from the Court.

If the motion to modify the Moratorium is granted by the Court, each holder of an eligible universal life policy or fixed indexed annuity² will receive an individualized election package that will provide an overview of the modification options for that policy or annuity, an election form, and the transaction forms necessary to implement the election. The election packages will describe the options clearly and in a manner that can be readily understood by policy and annuity holders. The election packages will also contain information regarding the expected range of distribution

² Eligible universal life policies are those with death benefits greater than the statutory limit set by the state guaranty association of the policy owner's resident state. Eligible fixed indexed annuities are those that do not currently have an activated income rider or systematic withdrawals (other than required minimum distributions).

for policy and annuity claims. This range will represent the Rehabilitator’s best estimate of the percentage that would be paid to policyholders with existing claims in a liquidation of PHL.³ The methodology and assumptions used to develop the distribution range will also be provided. As noted in Section I.B. above, the development of any rehabilitation plan will be guided by the principle that policyholders must recover at least as much value under a plan as they would in liquidation. This distribution range will also be made available to other policyholders for informational purposes.

Dedicated call center personnel will be trained on the various election options and available to answer questions for policy and annuity holders. FAQs and other information will also be posted to the PHL Rehabilitation Website. The Rehabilitator is in the process of developing the materials for the election packages and, if the motion is granted by the Court, expects that they will be mailed to eligible policy and annuity holders by year-end.

As described in Section IV below, the Companies’ combined unaudited financial statements for the quarter ending September 30, 2025, are attached as Exhibit A to this Report. The Rehabilitator also intends to make available additional financial information regarding the Companies’ assets, reserves and reinsurance. This will include details behind the 2024 audited financial statements that were attached to the Second Accounting and Status Report. This supplemental information will be in the nature of the schedules that would accompany PHL’s annual statutory financial statement with respect to assets (Annual Statement Schedules B, BA, D, DA, and DB) and reinsurance (Annual Statement Schedule S). In addition, a schedule showing direct and ceded reserves by product (e.g., universal life, variable annuity, etc.) will be provided. The Rehabilitator expects to make this information available through the PHL Rehabilitation Website by year-end.

³ The distribution range would apply to unpaid claims as a result of the moratorium (described in Section II.D. below) and claims for “adjusted surrender value” under the moratorium modifications.

III. Recurring and Ongoing Matters

A. Hardship Program

As described in the First and Second Accounting and Status Reports, the Moratorium Order authorized the establishment of a Hardship Program to make payments that exceed the limits under the Moratorium in the event a policyholder or beneficiary demonstrates hardship. The Rehabilitator established a hardship committee to review applications, make recommendations to the Rehabilitator and oversee hardship applicant communications and payments. As of November 12, 2025, approximately 462 applications have been submitted under the Hardship Program. Approximately 185 of those applications received deficiency notices requiring the submission of further information; 83 were resolved, 101 are awaiting supplemental documentation from the applicant and one is under review by the hardship committee. The Rehabilitator has authorized 310 payments under the Hardship Program totaling approximately \$8.8 million. There have been 28 denials (approximately 6% of total applications) and 11 appeals. Thirteen of the denials were “technical denials”: instances in which applicants were seeking benefits that were already being paid or were not available under the policy even in the absence of the Moratorium. Three of the appeals resulted in a hardship payment; three are pending receipt of additional information from the applicant; and one is currently pending review by the hardship committee.

B. Reinsurance

As described in the First Accounting and Status Report, the Rehabilitator developed an “Override Agreement” as a supplement to each PHL reinsurance agreement. The Override Agreement provides that a reinsurer will pay PHL, on a net basis, for the full insured benefit determined by the Rehabilitator without diminution as a result of the Moratorium. The reinsurance proceeds applicable to some or all of the net unpaid portion of the covered benefits as a result of the

Moratorium are placed into reinsurer-specific segregated accounts, which were established at PHL's primary bank. Amounts held in the Segregated Account may not be withdrawn by PHL or the reinsurer other than in very limited circumstances involving payments under the Hardship Program. To date, there have been no withdrawals. Override Agreements have been executed with all current third-party reinsurers. The Rehabilitator negotiated the terms of the Override Agreement with each reinsurer but the key terms of each agreement are the same for each reinsurer. As of September 30, 2025, amounts placed into the reinsurer-specific segregated accounts totaled \$89.9 million, including interest, which is included within the cash, cash equivalents, and short-term investment balance reported in Section I.D. above.

C. Death Claims, Lapses, Withdrawals and Surrenders

As of September 30, 2025, the Companies reported net death claims of approximately \$188.1 million. Average net death claims in the first three quarters of 2025, which averaged \$62.7 million per quarter, were lower than the average net death claims experienced in the first three quarters of 2024, which averaged \$67.1 million per quarter. The third quarter of 2025 experienced \$41.1 million of net death claims.

Since entering Rehabilitation, the Companies experienced an elevated number of policy lapses beginning in the third quarter of 2024. Beginning in 2025, lapses have gradually declined each quarter. Lapses primarily occurred within the universal life and term products. The table on the following page provides aggregate lapse data for the indexed universal life, term, universal life, variable universal life, and whole life products:

Period	Indexed Universal Life		Term		Universal Life	
	Policy Count	Face Amount	Policy Count	Face Amount	Policy Count	Face Amount
5/20/24 - 6/30/24	2	\$228,500	367	\$273,953,407	13	\$20,115,619
3Q24	5	\$650,820	930	\$764,461,006	52	\$237,313,825
4Q24	3	\$225,000	1,150	\$1,136,371,733	57	\$160,983,285
1Q25	6	\$1,065,000	1,043	\$911,984,279	47	\$110,562,652
2Q25	5	\$415,151	984	\$782,420,002	91	\$336,408,620
3Q25	6	\$668,276	680	\$663,907,151	38	\$117,596,048
	27	\$ 3,252,747	5154	\$ 4,533,097,578	298	\$ 982,980,049

Period	Variable Universal Life		Whole Life		Total	
	Policy Count	Face Amount	Policy Count	Face Amount	Policy Count	Face Amount
5/20/24 - 6/30/24	3	\$1,250,000	0	\$0	385	\$295,547,526
3Q24	13	\$7,749,314	3	\$800,000	1,003	\$1,010,974,965
4Q24	6	\$2,873,339	0	\$0	1,216	\$1,300,453,357
1Q25	9	\$3,630,000	1	\$50,000	1,106	\$1,027,291,931
2Q25	9	\$3,790,250	6	\$202,631	1,095	\$1,123,236,654
3Q25	9	\$7,490,709	0	\$0	733	\$789,662,183
	49	\$ 26,783,612	10	\$ 1,052,631	5538	\$ 5,547,166,617

Policy surrenders and withdrawals are limited for certain products under the Moratorium. Total surrender and withdrawal activity on variable life and annuity products, which are permitted to the full extent of the separate account value attributable to the policy or annuity, increased significantly post-Rehabilitation. Surrenders and withdrawals steadily rose through the third quarter of 2024, peaking at approximately \$145.5 million for the quarter but declining significantly in the fourth quarter of 2024, for a total of \$401.1 million during calendar year 2024. During the nine months ended September 30, 2025, total surrenders and withdrawals amounted to \$130.3 million. Surrender activity stabilized during this nine-month period, with total surrender and withdrawal activity averaging \$43.4 million per quarter. Nearly 50% of the surrender and withdrawal activity for the nine months ended September 30, 2025, related to variable annuity products, with another 37% relating to recurring annuity payments and distributions under fixed indexed annuity products permitted under the Moratorium.

D. Claims in Excess of Moratorium Limits

As of September 30, 2025, claims payable for amounts in excess of the Moratorium limits, where claims have already been paid up to the Moratorium limit, was \$515.1 million, previously

\$230.0 million as of December 31, 2024. Additionally, the Companies have recorded a liability for interest on unpaid death claims, as would be required statutorily, of \$30.0 million as of September 30, 2025, previously \$8.5 million as of December 31, 2024.

E. Motions to Intervene; Ongoing Litigation

1. Motions to Intervene

The Second Accounting and Status Report described three motions filed by parties seeking to intervene in PHL’s rehabilitation proceeding. With respect to the first motion, filed by three institutional investor policyholders, the Rehabilitator stipulated to their limited intervention in order to obtain a ruling from the Court on the legal issue of whether the investor-policyholders could offset premiums on policies they own against death benefits that are due to them under other policies that they own but have not yet been paid due to the Moratorium. At the time of the Second Accounting and Status Report, the matter was fully briefed and argued, and the parties were awaiting a ruling from the Court. On May 28, 2025, the Court issued a ruling in favor of the Rehabilitator, holding that for purposes of setoff, premium is not a “debt” and therefore cannot be offset against unpaid death benefits under other policies. The investor-policyholders appealed the Court’s ruling; the matter is currently being briefed before the Connecticut Appellate Court.

At the time of the Second Accounting and Status Report, the other two motions to intervene, one filed by two individuals whose lives are insured under life insurance policies owned by their business and the other by a company that owns two life insurance policies on an employee and shareholder, were in the process of being briefed, with oral argument before Judge Klau to follow. On July 18, 2025, the Court ruled in favor of the Rehabilitator and denied the two motions, holding that a rehabilitation proceeding is not a “civil action” and therefore the proposed

intervenors did not have a legal right under statute or Connecticut procedural rules to general intervenor status in the proceeding. Neither party appealed the Court's ruling, which has now become final.

In connection with the Rehabilitator's Motion to Modify the Moratorium Order, the Rehabilitator stipulated to the limited intervention of several parties to appear and be heard at the hearing on the motion. As noted in Section II above, the motion was fully briefed and oral argument was held before Judge Klau on October 21, 2025. The parties await a ruling from the Court.

2. Other Litigation

As described in the First and Second Accounting and Status Reports, at the time the Companies entered rehabilitation they were parties to a number of lawsuits in state and federal courts throughout the country. Based on the status and merits of each proceeding, the Rehabilitator sought and obtain stays of the litigation in accordance with the Insurers Rehabilitation and Liquidation Act. These proceedings remain stayed.

Two material lawsuits in which PHL is involved are proceeding. First, *PHL Variable Ins. Co., et al. v. McCarter & English LLP, et al.*, HHD-X07-CV16-6070473 (Ct. Sup. Ct.), is a professional negligence and breach of contract action against a law firm and lawyer that represented PHL and another entity in certain loan transactions guaranteed by the town of Oyster Bay, New York that were later repudiated by Oyster Bay. PHL seeks recovery of the loan amount with interest and damages. Trial had been set for June 24, 2025, but was continued by the Court. A new trial date has not yet been set.

Second, on September 20, 2024, Sirius Federal, LLC ("Sirius") filed suit against the United States Defense Information Systems Agency ("DISA") for breach of contract and breach of the duty of good faith and fair dealing in connection with a contract to supply certain software license.

No. 24-cv-01773-CNL (Ct. Fed. Claims). Sirius used financing from PHL and other entities for the acquisition of the software at issue. The case is in discovery; a trial date has not yet been set.

F. Agents & Commissions

The Rehabilitation Order entered in this proceeding provided for the continued payment of commissions or other compensation to insurance agents, brokers or other entities that sold PHL insurance policies and/or collected premium on behalf of PHL (“Agents”) for six months following entry of the Rehabilitation Order. It further provided that at the conclusion of that period, the Rehabilitator would evaluate whether the continued payment of commissions or other compensation to Agents is in the best interest of the Companies and PHL Policyholders. In both the First and Second Accounting and Status Report, the Rehabilitator stated his determination that the continued payment of commissions or other compensation to Agents for an additional six-month period was in the best interest of the Companies and PHL policyholders.

The Rehabilitator has determined that the continued payment of commissions or other compensation to Agents for an additional six-month period is in the best interest of the Companies and PHL policyholders. The Rehabilitator believes that many of the Agents continue to be engaged with policyholders and will provide meaningful assistance as the proceeding moves forward, including in connection with the modifications to the Moratorium (if approved by the Court). This is supported by evidence from PHL’s call center and communications from policyholders. For example, since the rehabilitation proceeding commenced, approximately 2,000 Agent calls have been received by the call center. Based on feedback received from policyholders, including informal comments submitted in connection with the Moratorium modification, the Rehabilitator believes there is a strong likelihood that eligible PHL policyholders will continue to seek the guidance of their Agents when asked to make decisions on elections options to be offered to them. The

Rehabilitator will again evaluate in six months whether the continued payment of commissions or other compensation to Agents is in the best interest of the Companies and PHL policyholders.

IV. Unaudited Financial Statements

Attached as Exhibit A are an unaudited balance sheet as of September 30, 2025, and December 31, 2024, summary of operations and changes in capital and surplus for the nine-months ending September 30, 2025, and September 30, 2024, and the related notes to the financial statements for the Companies, each prepared on a combined basis for PHL, Concord and Palisado in accordance with accounting practices prescribed or permitted by the Connecticut Insurance Department (the “3Q 2025 Combined Financial Statements”). The Rehabilitator believes that the 3Q 2025 Combined Financial Statements, which eliminate intercompany transactions, provide the most meaningful and accurate presentation of the current financial position and results of operations of the Companies in rehabilitation. A copy of the December 31, 2024, audited financial statements for the Companies were included as an exhibit to the Second Accounting and Status Report.

As of September 30, 2025, on a combined basis, the Companies’ approximate capital and surplus remained stable at negative \$2.2 billion when compared to the December 31, 2024, audited financial statements.

Respectfully submitted,

Andrew N. Mais

Rehabilitator of PHL Variable Insurance
Company, Concord Re, Inc., and Palisado Re, Inc.

EXHIBIT A

Third Quarter 2025 Combined Unaudited Financial Statements

Combined Unaudited Balance Sheet

PHL Variable Insurance Company, Concord Re, Palisado Re (in rehabilitation)

\$ in thousands

	September 30, 2025	December 31, 2024
ASSETS:		
Bonds	614,351	692,367
Preferred stock	834	1,086
Common stock	592	1,692
Contract loans	74,720	74,874
Mortgage loans	36,543	37,396
Cash, cash equivalents and short-term investments	437,538	170,446
Derivatives	388	948
Receivables for securities	3,966	6,512
Other invested assets	83,276	123,554
Total cash and invested assets	1,252,207	1,108,875
Deferred and uncollected premium	20,418	26,014
Due and accrued investment income	3,377	3,846
Deferred tax asset	-	-
Current federal and foreign income tax	-	-
Receivable from affiliate	4,490	5,779
Reinsurance amounts receivable	40,196	62,492
Other assets	220,005	133,990
Separate account assets	2,350,495	2,436,013
Funds held by or deposited with reinsured companies	-	38
Total assets	3,891,189	3,777,047
Liabilities:		
Reserves for future policy benefits	3,054,156	3,014,947
Payable to affiliate	4,195	7,916
Funds held under coinsurance	5	-
Reinsurance payables	19,753	36,786
Net transfers due to (from) separate accounts	41,913	50,815
Contract claims and other liabilities	625,306	352,034
Interest maintenance reserve ("IMR")	179	26
Asset valuation reserve ("AVR")	5,670	10,680
Separate account liabilities	2,350,495	2,436,013
Policyholders' funds	25,387	28,670
Total liabilities	6,127,057	5,937,887
Capital and surplus:		
Common stock, \$5,000 par value (1,000 shares authorized; 500 shares issued and outstanding)	2,500	2,500
Paid-in surplus	361,322	361,322
Surplus notes	55,000	55,000
Unassigned surplus	(2,654,690)	(2,579,662)
Total capital and surplus	(2,235,868)	(2,160,840)
Total liabilities, capital and surplus	3,891,189	3,777,047

Combined Unaudited Summary of Operations and Changes in Capital and Surplus

PHL Variable Insurance Company, Concord Re, Palisado Re (in rehabilitation)

\$ in thousands

	Year-to-Date September 30, 2025	Year-to-Date September 30, 2024
Income:		
Premium and annuity considerations	142,626	179,845
Net investment income and amortization of IMR	29,325	26,782
Separate account net gain (loss) from operations	24,588	(110,152)
Commissions and expense allowances on reinsurance ceded	6,460	6,361
Reserve adjustments on reinsurance ceded	(132,897)	(120,949)
Fees associated with separate account and other miscellaneous income	43,441	50,459
Total income	113,543	32,346
Current and future benefits:		
Death and disability benefits	188,123	201,324
Annuity benefits	44,710	36,513
Surrender benefits and withdrawals	130,148	342,096
Interest on policy or contract funds	25,039	7,815
Payments on supplementary contracts with life contingencies	6,650	7,014
Net transfers (from) to separate accounts, net of reinsurance	(214,356)	(401,213)
Change in reserves for future policy benefits	39,124	1,284,205
Total current and future benefits	219,439	1,477,754
Operating expenses:		
Commissions	2,314	3,033
Other operating expenses	46,183	54,901
Reserve adjustments on MODCO assumed and MODCO consideration	(79,397)	(42,775)
Premium, payroll and miscellaneous taxes, licenses and fees	3,831	4,779
Total operating expenses	(27,069)	19,939
Net income (loss) from operations before federal income taxes	(78,826)	(1,465,347)
Federal and foreign income tax expense (benefit)	-	(0)
Net income (loss) from operations before realized capital gains (losses)	(78,826)	(1,465,346)
Realized capital gains (losses), net of income taxes and IMR	(2,606)	(44,188)
Net Income (loss)	(81,433)	(1,509,534)
Changes in capital and surplus:		
Change in net unrealized capital gains (losses)	(7,926)	1,303
Change in deferred income tax	-	-
Change in non-admitted assets	11,073	(121,604)
Change in liability for reinsurance in unauthorized and certified companies	-	-
Change in reserve on account of change in valuation basis	-	-
Change in asset valuation reserve	5,009	892
Paid in surplus	-	-
Change in deferred reinsurance allowance	-	-
Other surplus changes, net	(1,752)	(14,146)
Net increase (decrease) in capital and surplus	(75,029)	(1,643,090)
Capital and surplus, beginning of year	(2,160,840)	(468,544)
Capital and surplus, end of period	(2,235,868)	(2,111,634)

1. Overview of Rehabilitation Proceedings

PHL Variable Insurance Company (“PHL”) and its subsidiaries, Concord Re, Inc. and Palisado Re, Inc. (collectively, the “Companies”) entered rehabilitation proceedings in the Connecticut Superior Court (the “Court”) on May 20, 2024, in response to the Companies’ hazardous financial condition (the “Rehabilitation”). Specifically, the Court appointed the Connecticut Insurance Commissioner (“Commissioner”) as PHL’s Rehabilitator, who assumed control of the Companies’ assets and will administer them under the Court’s supervision. The Commissioner is also empowered to take the necessary or appropriate actions approved by the Court to rehabilitate the Companies.

On June 25, 2024, the Court finalized and approved moratorium terms that had been in place on a temporary basis since the Companies’ entry into rehabilitation. The moratorium limits payments under some policies while a rehabilitation plan is developed. The moratorium is anticipated to be in place until a rehabilitation plan is confirmed by the Court. While the payments have been limited under the moratorium, the Companies have continued to record liabilities for the full amount of policyholder benefits. The claims payable balance for amounts in excess of the moratorium limits, where claims have already been paid up to the moratorium limit, is \$515.1 million as of September 30, 2025, and \$230.0 million as of December 31, 2024. Additionally, the Companies have recorded a liability for interest on unpaid death claims, as would be required statutorily, of \$30.0 million as of September 30, 2025, and \$8.5 million as of December 31, 2024.

There are no direct impacts to reinsurance financial statement line items in relation to the moratorium, or changes in the determination of the reinsurance recoverable balances. Other operational changes were implemented for reinsurance as described in Note 7 below.

2. Significant Changes in Accounting Practices

In connection with the Rehabilitation, the Connecticut Insurance Department (“CID”) disallowed certain permitted practices that were previously granted to the Companies. Of the disallowed permitted practices, only one had a material effect on the Companies’ combined financial statements: the non-admittance of Concord Re’s Prepaid Asset (defined below).

Effective June 30, 2015, PHL entered into a reinsurance agreement with affiliate Nassau Life Insurance Company (“NNY”). This agreement provides that NNY will retrocede, and PHL will reinsure, 80% of the inforce group executive ordinary (“GEO”) corporate-owned whole life insurance policies reinsured by NNY from a third-party. Effective March 31, 2021, PHL entered into a reinsurance agreement, whereby PHL retroceded to Nassau Life and Annuity (“NLA”) 100% of the liability for the policies reinsured by PHL. PHL received a ceding commission of \$150 million for this reinsurance transaction, which was paid to Concord Re. In addition, Concord Re prepaid a portion of its future operating expenses. With the permission of the CID, Concord Re was authorized to admit the prepaid expenses (the “Prepaid Asset”) as an asset. The Prepaid Asset was recorded as an aggregate write-in for other than invested assets on Concord Re’s balance sheet, which increased surplus by the same amount. The disallowance of this practice decreased the combined Companies’ assets and surplus by the remaining prepaid asset balance. As of September 30, 2025 and December 31, 2024, the Prepaid Asset, if admitted, would have been \$91.7 million and \$106.7 million, respectively.

In 2023, the NAIC adopted revisions to SSAP No. 26, *Bonds*, and SSAP No. 43, *Loan- Backed and Structured Securities*, to incorporate the principles-based bond definition for use in determining whether an investment (*i.e.*, security) qualifies for reporting as a bond into statutory accounting guidance and to address the accounting treatment for securities that do qualify as bonds. SSAP No. 2, *Cash, Cash Equivalents, Drafts and Short- Term Investments*, was also revised to exclude asset-backed securities from being reported as a cash equivalent or short-term investment. In 2024, the NAIC adopted revisions to SSAP No. 21, *Other Admitted Assets*, to provide guidance for debt securities that do not qualify as bonds under the principles-based definition. The 2024 adopted revisions prescribe accounting guidance (measurement method) for all residual interests regardless of legal form. In 2024, the NAIC also adopted Statutory Issue Paper No. 169, *Principles-Based Bond Definition*, to provide additional guidance. These revisions had an effective date of January 1, 2025, and were implemented by the Companies.

The Companies did not adopt any accounting standards during 2025 that had a material impact on these financial statements.

3. Cash, Cash Equivalents, and Short-term Investments

The Companies' cash, cash equivalents, and short-term investments increased from \$170.4 million as of December 31, 2024, to \$437.5 million as of September 30, 2025, an increase of 157%. This increase is primarily driven by the implementation of the moratorium and other efforts undertaken by the Rehabilitator to preserve the liquidity and de-risk the investment portfolio of the Companies since entering the Rehabilitation. As further described in Note 7 below, cash, cash equivalents, and short-term investments also consist of reinsurer-specific, interest-bearing, segregated bank accounts, which increased from \$23.3 million as of December 31, 2024, to \$89.9 million as of September 30, 2025, an increase of 286%.

4. Fair Value of Invested Assets

Included in several investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stock when carried at the lower of cost or market.

For fair value disclosure purposes, the Companies classify their financial instruments based on a hierarchy defined by ASC 820, Fair Value Measurements. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 1 securities include highly liquid government bonds and exchange-traded equities.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Examples of such instruments include government-backed mortgage products, certain collateralized mortgage and debt obligations and certain high-yield debt securities.

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect management’s own assumptions about inputs in which market participants would use in pricing these types of assets or liabilities. Level 3 financial instruments include values which are determined using pricing models and third-party evaluation. Additionally, the determination of some fair value estimates uses significant management judgments or best estimates.

The table below shows the fair value measurement of the Companies’ financial instruments as of September 30, 2025.

Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carry Value)
Bonds	\$ 562,750,159	\$ 614,350,723	-	\$ 331,033,686	\$ 231,716,473	-
Preferred Stock	833,635	833,635	-	175,300	658,335	-
Common Stocks	592,011	592,011	-	-	592,011	-
Mortgage Loans	35,779,528	36,543,341	-	-	35,779,528	-
Cash, Cash Equivalents and Short-term Investments	437,536,066	437,537,969	433,364,338	4,171,727	-	-
Derivatives	388,145	388,145	-	388,145	-	-
Residual Tranches, Surplus Debentures, and Capcos	13,366,334	13,243,637	-	9,459,752	3,906,583	-
Separate Account Assets	2,124,501,542	2,223,330,038	795,115,867	678,927,592	650,458,082	-
Total Financial Instruments	\$ 3,175,747,420	\$ 3,326,819,499	\$ 1,228,480,206	\$ 1,024,156,202	\$ 923,111,012	-

Consistent with SSAP No. 100, *Fair Value*, certain financial instruments are not included within the table above (e.g., investments accounted for under the equity method).

The Companies’ accounting policy requires that a decline in the value of a bond or equity security below its cost or amortized cost basis be assessed to determine if the decline is other-than-temporary. In addition, for securities expected to be sold, an other-than-temporary impairment (“OTTI”) charge is recognized if the Companies do not expect the fair value of a security to recover to its cost or amortized cost basis prior to the expected date of sale.

For the nine months ending September 30, 2025, the Companies recognized an OTTI charge of \$4.4 million. For the nine months ending September 30, 2024, the Companies recognized an OTTI charge of \$157.8 million, the majority of which related to the DSM Sands, LLC (“DSM Sands”) loans write-down of \$149.0 million, as further described in Note 6 below.

The Companies invest in loan-backed and structured securities. The table on the following page summarizes loan-backed and structured securities for which the value of an asset is below its cost or amortized cost basis, but OTTI has not been recognized for the nine months ending September 30, 2025:

Combined Companies (excluding Separate Accounts):

	Aggregate Unrealized Losses	Aggregate Fair Value of Related Securities with Unrealized Losses
Less Than 12 Months	(\$5,731,079)	\$9,384,868
Greater Than 12 Months	(9,127,504)	65,276,599

Separate Accounts:

	Aggregate Unrealized Losses	Aggregate Fair Value of Related Securities with Unrealized Losses
Less Than 12 Months	(\$23,960,441)	\$134,465,195
Greater Than 12 Months	(13,770,299)	132,503,336

5. Derivatives

Derivative assets and liabilities consist of equity index options. The Companies are exposed to credit-related losses in the event of nonperformance by a counterparty's failure to meet its obligations. Given that the Companies enter into derivative contracts with highly rated counterparties, the Companies are exposed to minimum credit risk.

During 2024, the broader hedging associated with certain equity-linked life and annuity products was suspended. Existing trades continue to expire, and no new hedges have been initiated for products other than the UBS Tactical Multi Asset Index.

The table below shows the offsetting and netting of derivative assets and liabilities on a fair value basis.

Combined Companies (excluding Separate Accounts):

Offsetting of Derivative Assets/Liabilities:	Gross Amounts Recognized	Gross Amounts Offset in the Balance Sheet	Net Amounts Presented in the Balance Sheet
Total Derivative Assets	\$757,814	(\$369,669)	\$ 388,145
Total Derivative Liabilities	369,669	(369,669)	-
Net	388,145	-	388,145

Separate Accounts:

Offsetting of Derivative Assets/Liabilities:	Gross Amounts Recognized	Gross Amounts Offset in the Balance Sheet	Net Amounts Presented in the Balance Sheet
Total Derivative Assets	\$9,459,125	(\$4,013,455)	\$5,445,670
Total Derivative Liabilities	4,013,455	(4,013,455)	-
Net	5,445,670	-	5,445,670

6. DSM Sands Loans

PHL previously made a series of loans to a related party, DSM Sands, LLC. These loans were historically accounted for as affiliate notes receivable and recorded within aggregate write-ins for other than invested assets. During the third quarter of 2024, the loans receivable relating to DSM Sands, LLC were fully impaired, as the borrower is no longer expected to have sufficient liquidity to repay the loans. As a result, the Companies recorded a charge to income for the remaining loan balance outstanding of \$149.0 million. \$34.0 million and \$115.0 million of the \$149.0 million DSM Sands, LLC, loans were held in the general account and the non-unitized Separate Account, respectively.

In January 2025, following the default and impairment of the affiliate loan, PHL created a new wholly-owned, non-life subsidiary, Compass HTH, LLC, to take an assignment of the collateral securing the loan

in satisfaction of the outstanding loan obligations. There is no value admitted on the Companies' financial statements for this subsidiary.

7. Reinsurance

The Companies historically used reinsurance agreements to provide for greater diversification of business, to control exposure to potential losses arising from large risks and provide additional capacity for growth. Reinsurance arrangements do not relieve the Companies as primary obligor for policyholder liabilities.

Assets and liabilities related to reinsurance ceded contracts are reported on a net basis.

The Companies have reinsurance ceded to third-party reinsurers; two U.S.-based affiliates, NNY and NLA; and one foreign affiliate domiciled in the Cayman Islands, Nassau Re (Cayman) Ltd.

Pursuant to the moratorium, the Rehabilitator developed an "Override Agreement" as a supplement to PHL reinsurance agreements with third parties. The Override Agreement provides that a reinsurer will pay PHL, on a net basis, for the full insured benefit without diminution as a result of the moratorium. The reinsurance proceeds are placed into reinsurer-specific, interest-bearing, segregated bank accounts ("Segregated Accounts"). Amounts held in the Segregated Accounts may not be withdrawn by PHL or the reinsurer other than in very limited circumstances involving hardships. The balances in the Segregated Accounts, including interest, were \$89.9 million as of September 30, 2025, compared to \$23.3 million as of December 31, 2024, representing an increase of 286%.

8. Loss Reserves

Benefit and loss reserves, included in reserves for future policy benefits, are established in amounts adequate to meet estimated future obligations on policies in force. Benefits to policyholders are charged to operations as incurred.

Prior to 2024, Concord Re and Palisado Re were exempted from recording asset adequacy reserves ("AAR") in accordance with Section 38a-53-2 of the Regulations of Connecticut State Agencies ("AOMR Regulation") pursuant to CGS Sec. 38a-9100. However, the CID informed the Companies that cash flow testing ("CFT") will be required effective May 20, 2024, with any additional reserves to be carried by PHL that reflect any deficiency.

The change in loss reserves from December 31, 2023, to September 30, 2024, of \$1.3 billion primarily related to the deficiency calculated during CFT, which resulted in AAR of approximately \$1.3 billion. The estimate is based on the CFT models and methodology employed in the "normal course" of reserve testing plus certain revised actuarial projection assumptions (*e.g.*, lapse, mortality, interest rates), that are based on the Companies' recent experience data and updated interest rate assumptions as developed by the Rehabilitator and his advisors.

The change in loss reserves remained relatively stable from December 31, 2024, to September 30, 2025, increasing by \$39.1 million, approximately 1%.

9. Separate Accounts

PHL uses separate accounts to record and account for assets and liabilities for particular lines of business and/or transactions. As of September 30, 2025, PHL reported assets and liabilities from the following product lines/transactions into a separate account: variable annuity, fixed annuity, fixed indexed annuity, variable universal life, payout annuity, and supplemental contracts.

Effective July 2018, PHL changed the basis of accounting for investments held in the fixed indexed annuity separate account from fair value to book value, unless otherwise required. All remaining separate accounts are accounted for at fair value in accordance with SSAP No. 56, *Separate Accounts*.

In accordance with the products/transactions recorded within the separate account, all assets are considered legally insulated from the general account. The legal insulation of the separate account assets prevents such assets from being generally available to satisfy claims resulting from the general account. However, some separate account liabilities are guaranteed by the general account. In accordance with the guarantees provided, if the investment proceeds are insufficient to cover the rate of return guaranteed for the product, the policyholder proceeds will be remitted by the general account.

The Balance Sheet and Summary of Operations and Changes in Capital and Surplus for the unitized (i.e., variable annuity, variable universal life, payout annuity and supplemental contracts) and non-unitized (i.e., fixed annuity and fixed indexed annuity) separate accounts are as follows:

PHL's Separate Accounts Balance Sheet (Unaudited)

\$ in thousands

	September 30, 2025			December 31, 2024		
	Non-Unitized	Unitized	Total	Non-Unitized	Unitized	Total
Assets:						
Bonds	1,209,475	-	1,209,475	1,265,524	-	1,265,524
Preferred stock	8,699	-	8,699	6,466	-	6,466
Common stock	243	636,490	636,732	77	671,363	671,440
Mortgage loans	100,294	-	100,294	118,700	-	118,700
Cash and short-term investments	160,672	-	160,672	114,994	-	114,994
Derivatives	5,446	-	5,446	8,801	-	8,801
Other invested assets	216,178	-	216,178	235,348	-	235,348
Total cash and invested assets	1,701,007	636,490	2,337,496	1,749,910	671,363	2,421,273
Due and accrued investment income	11,980	-	11,980	11,533	-	11,533
Receivables for securities	1,019	-	1,019	2,946	-	2,946
Other assets	-	-	-	261	-	261
Total assets	1,714,006	636,490	2,350,495	1,764,651	671,363	2,436,013
Liabilities:						
Reserves for future policy benefits	1,561,271	636,579	2,197,849	1,679,833	671,458	2,351,291
Other transfers to general account due or accrued	(41,820)	(89)	(41,909)	(50,717)	(95)	(50,812)
Other liabilities	194,555	-	194,555	135,534	-	135,534
Total liabilities	1,714,006	636,490	2,350,495	1,764,651	671,362	2,436,013
Capital and surplus:						
Unassigned surplus	-	-	-	-	-	-
Total capital and surplus	-	-	-	-	-	-
Total liabilities, capital and surplus	1,714,006	636,490	2,350,495	1,764,651	671,362	2,436,013

PHL's Separate Accounts Summary of Operations and Changes in Capital and Surplus (Unaudited)

\$ in thousands

	Year to Date September 30, 2025			Year to Date September 30, 2024		
	Non-Unitized	Unitized	Total	Non-Unitized	Unitized	Total
Transfers to Separate Accounts	653	4,159	4,812	790	2,255	3,044
Net investment income and capital gains (losses)	64,337	59,437	123,773	(58,403)	104,235	45,832
Other income	(428)	-	(428)	9,003	-	9,003
Total	64,562	63,596	128,158	(48,610)	106,490	57,880
Deduct:						
Transfers from the Separate Account on account of contract benefits	131,621	86,631	218,253	172,960	228,554	401,514
Transfers on account of policy loans	-	1,334	1,334	-	2,777	2,777
Other transfers from the Separate Account	-	6	6	-	13	13
Fees associated with charges for investment management	26,590	10,503	37,093	29,178	13,248	42,426
Change in aggregate reserve for life contracts	(118,563)	(34,879)	(153,442)	(140,625)	(138,102)	(278,728)
Total	39,649	63,596	103,245	61,513	106,490	168,003
Net Gain (Loss) From Operations	24,913	-	24,913	(110,123)	-	(110,123)
Changes in Capital and Surplus:						
Capital and Surplus, beginning of year	-	-	-	-	-	-
Net gain (loss) from operations	24,913	-	24,913	(110,123)	-	(110,123)
Surplus contributed or (withdrawn) during the year	(23,161)	-	(23,161)	124,269	-	124,269
Aggregate write-in for gains and (losses) in surplus	(1,752)	-	(1,752)	(14,146)	-	(14,146)
Capital and Surplus, end of period	-	-	-	-	-	-

10. Contingencies

The Companies have unfunded capital commitments related to its investments in limited partnerships in the amounts presented below as of September 30, 2025. These unfunded commitments can be drawn down as provided by the terms of each agreement.

	Amount (\$ in millions)
Combined Companies (excluding Separate Accounts)	\$9.8
Separate Accounts	\$23.2
Total	\$33.0



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