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# MARKET VIEWPOINT

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## Updated Report from PHL Variable Rehabilitator Reveals Interested Parties for Potential Sale of Policies

**Key Takeaways**

- The Rehabilitator believes a sale will lead to the best outcome for policyholders and said 13 companies are reviewing company materials to evaluate the potential purchase of blocks of PHL Variable Insurance Co.'s assets and liabilities.
- The company's negative capital and surplus position remained stable as of December 31, 2024.
- Many blocks of policies are expected to draw interest from buyers, but high-death benefit fixed account UL policies are likely to require restructuring of death benefits and premium payments.

On May 20, Connecticut Insurance Commissioner Andrew Mais submitted the second Accounting and Status report as Rehabilitator of PHL Variable Insurance Company (PHL) to the Connecticut Superior Court. The report updated the Court on the financial state of PHL and significant developments since the previous report that was filed in November 2024.

Mais revealed that a process had been initiated to market and sell PHL or blocks of PHL businesses to qualified buyers. As of the date of the report, 13 companies have executed nondisclosure agreements[1] and obtained access to a virtual data room with a range of company materials and information. Mais also indicated that he believes a sale will lead to the best outcome for policyholders relative to the company's liquidation.

The combined capital and surplus of PHL and its subsidiary reinsurance companies stood at negative $2.2 billion as of December 31, 2024, which was stable from the end of the previous quarter. A detailed analysis of PHL's invested assets determined that approximately 70% are higher quality assets with predictable and stable cash flow which are suitable to support the company's liabilities. The remaining 30% are comprised of more complex and structured debt assets, alternative assets, and collateralized debt obligations. The company's investment committee is exploring the sale of some of these complex assets based on pricing and market conditions.

In reviewing PHL's business lines, Mais said the most likely to be sold are the fixed indexed annuity block, the variable life and annuity business, and the term and whole life businesses. On the other hand, the fixed universal life (UL) block "continues to present significant challenges" and is not expected to generate interest from buyers without "material policy restructuring." While 60% of the UL block has death benefits below $300,000, which would be below the amount covered by most state guaranty associations, it is expected UL policies with high death benefits will need to be restructured. As a result, the Rehabilitator intends to propose a modification to the Moratorium[2] suggesting a reduction in death benefits and a downward adjustment in premium for high death benefit UL policies.

1. Twelve other companies have provided comments on the non-disclosure agreement form and are in discussions with the Rehabilitator's legal counsel to resolve those comments.
2. The filing said the Rehabilitator will provide more specifics regarding a proposed modification in a filing with the Court on, or around, July 1, 2025.

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