

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 71768 / March 21, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15810

In the Matter of

The Phoenix Companies, Inc.
and PHL Variable Insurance
Company

Respondents.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against The Phoenix Companies, Inc. (“Phoenix”) and PHL Variable Insurance Company (“PHL Variable,” collectively with Phoenix, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offer, the Commission finds¹ that:

Respondents

1. The Phoenix Companies, Inc. ("Phoenix") is a Delaware corporation located in Hartford, Connecticut with equity securities and bonds registered with the Commission pursuant to Section 12(b) of the Exchange Act. Phoenix is a holding company with three insurance company subsidiaries, Phoenix Life Insurance Company ("PLIC"), Phoenix Life and Annuity Company, and PHL Variable, which sell life insurance and annuity products. Phoenix is delinquent in its periodic filings with the Commission, having not filed a periodic report since it filed a Form 10-Q for the period ended June 30, 2012. Phoenix common stock trades on the New York Stock Exchange (symbol "PNX") and Phoenix bonds trade on the New York Stock Exchange (symbol "PFX"). Phoenix qualifies as an "accelerated filer" as defined in Rule 12b-2 of the Exchange Act.

2. PHL Variable Insurance Company ("PHL Variable") is a Connecticut corporation located in Hartford, Connecticut and is a wholly owned indirect subsidiary of Phoenix. PHL Variable's stock does not trade on an exchange. PHL Variable is delinquent in its periodic filings with the Commission, having not filed a periodic report since it filed a Form 10-Q for the period ended June 30, 2012. PHL Variable qualifies as a "non-accelerated filer" as defined in Rule 12b-2 of the Exchange Act.

Facts

3. On September 18, 2012, PHL Variable announced that its previously issued audited financial statements for the years ended December 31, 2011, 2010 and 2009 could no longer be relied upon and should be restated, along with the unaudited financial statements for the quarterly periods dating back to March 31, 2011. PHL Variable disclosed that certain errors were identified "primarily related to the accounting for an intercompany reinsurance treaty" between PHL Variable and PLIC, and that these errors concerned "ceded premiums, and certain periodic adjustments to receivables, deferred acquisition costs and liability for policyholder benefits."

4. In turn, on November 8, 2012, Phoenix announced that its previously issued audited financial statements for the years ended December 31, 2011, 2010, and 2009 could no longer be relied upon and should be restated, along with the unaudited financial statements for quarterly periods dating back to March 31, 2011. Phoenix listed two principal error categories, including the incorrect classification of deposits and withdrawals of universal life and variable universal life products and the incorrect reporting of certain fees and interest charges as cash flows provided by financing activities. Phoenix also warned that "[m]anagement will likely conclude that there are one or more material weaknesses" in its disclosure controls and

¹ The findings herein are made pursuant to Respondents' Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

procedures and internal controls over financial reporting. Phoenix stated that it expected to file restated financial statements prior to the timely filing of its 2012 Annual Report on Form 10-K in March 2013.

5. On March 15, 2013, Phoenix announced that it would not meet its previously announced timetable for filing the restatement and its Quarterly Report on Form 10-Q for the period ended September 30, 2012 and that it would not timely file its 2012 Annual Report on Form 10-K. Phoenix also disclosed the discovery of additional errors affecting prior periods including actuarial valuation of certain insurance liabilities and deferred policy acquisition cost assets, accounting for complex reinsurance transactions, and valuation of certain private debt securities and derivative instruments. Finally, Phoenix also disclosed that it “expects that it will continue to identify, assess for materiality and correct additional errors during the course of the Restatement, some of which may be material and adverse.”

6. On April 24, 2013, Phoenix announced that it was making “significant progress” on the restatement, but declined to set a new target filing deadline. Instead, Phoenix indicated that it would “provide further updates on timing and estimated financial impact on or before May 31, 2013.” Phoenix predicted that it “may not be able to timely file its Quarterly Reports on Form 10-Q for the first, second and third quarters of 2013”—a prediction that proved accurate. Phoenix also warned that its ability to complete the restatement would be “subject to a number of contingencies, including but not limited to, whether Phoenix continues to identify errors in its consolidated financial statements, [and] whether existing systems and processes can be timely updated, supplemented or replaced.”

7. Phoenix made additional restatement-related announcements on May 31, 2013, but it did not provide a sense of the progress made or the expected completion date. On June 28, 2013, Phoenix announced in a news release that, “restatement work continues to move forward” and that Phoenix “intends to provide another update on the restatement within the next 60 days.” In addition, Phoenix announced that it did not expect to file “2012 audited statutory financial statements of its insurance company subsidiaries with the insurance regulators in the states in which its insurance company subsidiaries are authorized to conduct business within the timeframes afforded by current extensions granted by their respective domiciliary states,” because they are “dependent on substantial completion of the GAAP restatement process.” Moreover, Phoenix announced that, “the situation remains fluid as additional issues are identified and resolved.”

8. On August 15, 2013, Phoenix announced in a news release that, “restatement work continues to move forward” and that Phoenix “intends to provide an update on the restatement within the next 60 days.” On October 15, 2013, Phoenix announced, “[w]e believe we are in the final phases of the restatement work, and we are preparing our corrective and delayed filings. Once the filing timetable is established, we expect to provide a further update on the restatement.” As of December 30, 2013, no specific timetable was disclosed to investors. On January 17, 2014, Phoenix announced that it expects to file its 2012 Form 10-K with the Commission by March 31, 2014 and become a timely filer with the filing of its second quarter 2014 Form 10-Q.

9. Phoenix's securities, including common stock and bonds listed on the New York Stock Exchange, have continued to trade in the absence of recent audited financial data. As of December 30, 2013, Phoenix common stock traded on the New York Stock Exchange with an average daily trading volume of 36,908 over the prior three months and Phoenix bonds traded on the New York Stock Exchange with an average daily trading volume of 11,622 over the prior three months. On November 8, 2012, the closing stock price was \$25.31, but since that time the stock price has increased, closing at \$59.62 as of December 30, 2013.

Legal Analysis

10. Section 13(a) of the Exchange Act requires issuers with classes of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission. With exceptions not applicable here, Rules 13a-1 and 13a-13 of the Exchange Act require each such issuer to file annual and quarterly reports respectively on the appropriate forms and within the period specified on the form. Phoenix is subject to the filing requirements of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

11. Section 15(d) of the Exchange Act requires issuers not registered pursuant to Section 12 of the Exchange Act, but with a registration statement which has become effective pursuant to the Securities Act of 1933, to file periodic and other reports with the Commission. Rules 15d-1 and 15d-13 of the Exchange Act require each such issuer to file annual and quarterly reports respectively on the appropriate forms and within the period specified on the form. PHL Variable is subject to the filing requirements of Section 15(d) of the Exchange Act and Rules 15d-1 and 15d-13 thereunder.

12. Form 10-Q requires that accelerated filers such as Phoenix submit their quarterly reports within 40 days after the end of the fiscal quarter and that non-accelerated filers such as PHL Variable submit their quarterly reports within 45 days after the end of the fiscal quarter. Forms 10-K must be filed by accelerated filers such as Phoenix within 75 days after the end of the fiscal year and within 90 days after the end of the fiscal year for non-accelerated filers such as PHL Variable.

13. Since PHL Variable's September 18, 2012 restatement announcement and Phoenix's November 8, 2012 restatement announcement, Respondents have failed to file any quarterly or annual reports as required by Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder and Section 15(d) of the Exchange Act and Rules 15d-1 and 15d-13 thereunder, and each has missed five separate filing deadlines as of December 31, 2013, four pertaining to quarterly reports and one pertaining to an annual report, which are catalogued on the following charts:

Phoenix Chart of Delinquent Filings (as of March 19, 2014)		
Form	Period	Deadline
10-Q	Quarter ended September 30, 2012	November 9, 2012

Phoenix Chart of Delinquent Filings (as of March 19, 2014)		
Form	Period	Deadline
10-K	Year ended December 31, 2012	March 18, 2013
10-Q	Quarter ended March 31, 2013	May 10, 2013
10-Q	Quarter ended June 30, 2013	August 9, 2013
10-Q	Quarter ended September 30, 2013	November 12, 2013
10-K	Year ended December 31, 2013	March 17, 2014

PHL Variable Chart of Delinquent Filings (as of March 19, 2014)		
Form	Period	Deadline
10-Q	Quarter ended September 30, 2012	November 14, 2012
10-K	Year ended December 31, 2012	April 1, 2013
10-Q	Quarter ended March 31, 2013	May 15, 2013
10-Q	Quarter ended June 30, 2013	August 14, 2013
10-Q	Quarter ended September 30, 2013	November 14, 2013

Violations

14. As a result of the conduct described above, Respondent Phoenix violated Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act to file with the Commission information, documents, and annual and quarterly reports within the period specified in the appropriate form.

15. As a result of the conduct described above, Respondent PHL Variable violated Section 15(d) of the Exchange Act and Rules 15d-1 and 15d-13 thereunder, which require issuers not registered pursuant to Section 12 of the Exchange Act, but with a registration statement which has become effective pursuant to the Securities Act of 1933, to file with the Commission information, documents, and annual and quarterly reports within the period specified in the appropriate form.

Undertakings

Respondent Phoenix has undertaken to:

16. By no later than March 31, 2014, file its Form 10-K for the fiscal year ended December 31, 2012.

17. By no later than April 15, 2014, file its Form 10-Q for the quarterly period ended September 30, 2012.

18. By no later than June 4, 2014, file its Form 10-K for the fiscal year ended December 31, 2013.

19. By no later than July 15, 2014, file its Form 10-Q for the quarterly period ended March 31, 2013.

20. By no later than July 15, 2014, file its Form 10-Q for the quarterly period ended March 31, 2014.

21. By no later than August 11, 2014, file its Form 10-Q for the quarterly period ended June 30, 2013.

22. By no later than November 10, 2014, file its Form 10-Q for the quarterly period ended September 30, 2013.

Respondent PHL Variable has undertaken to:

23. By no later than April 15, 2014, file its Form 10-K for the fiscal year ended December 31, 2012.

24. By no later than April 30, 2014, file its Form 10-Q for the quarterly period ended September 30, 2012.

25. By no later than July 3, 2014, file its Form 10-K for the fiscal year ended December 31, 2013.

26. By no later than August 4, 2014, file its Form 10-Q for the quarterly period ended March 31, 2013.

27. By no later than August 4, 2014, file its Form 10-Q for the quarterly period ended March 31, 2014.

28. By no later than September 8, 2014, file its Form 10-Q for the quarterly period ended June 30, 2013.

29. By no later than September 8, 2014, file its Form 10-Q for the quarterly period ended June 30, 2014.

30. By no later than November 14, 2014, file its Form 10-Q for the quarterly period ended September 30, 2013.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Phoenix cease and desist from committing or causing any violations and any future violations of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

B. Pursuant to Section 21C of the Exchange Act, Respondent PHL Variable cease and desist from committing or causing any violations and any future violations of Section 15(d) of the Exchange Act and Rules 15d-1 and 15d-13 thereunder.

C. Respondent Phoenix shall comply with the undertakings in Section III paragraphs 16 through 22 above; provided, however, that solely for the purpose of complying with those undertakings, Phoenix shall not be deemed to have violated Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

D. Respondent PHL Variable shall comply with the undertakings in Section III paragraphs 23 through 30 above; provided, however, that solely for the purpose of complying with those undertakings, PHL Variable shall not be deemed to have violated Section 15(d) of the Exchange Act and Rules 15d-1 and 15d-13 thereunder.

E. Respondent Phoenix shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$375,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in one of the following ways:

- (1) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (2) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Phoenix as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Laura B. Josephs, Assistant Director,

Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5010.

F. Respondent PHL Variable shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$375,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in one of the following ways:

- (1) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (2) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying PHL Variable as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Laura B. Josephs, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5010.

By the Commission.

Jill M. Peterson
Assistant Secretary