EXAMINATION REPORT

OF

GUGGENHEIM LIFE AND ANNUITY COMPANY

AS OF

DECEMBER 31, 2019

Office of the
Commissioner

Delaware
Department of Insurance

REPORT ON EXAMINATION

OF

GUGGENHEIM LIFE AND ANNUITY COMPANY

AS OF

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The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Trinidad Navarro
Insurance Commissioner

Dated this 23 day of March, 2021

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January 15, 2021

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street, Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 20.015, dated March 12, 2020, an examination has been made of the affairs, financial condition and management of the

GUGGENHEIM LIFE AND ANNUITY COMPANY

hereinafter referred to as the Company or GLAC, incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The examination was conducted at the main administrative offices of the Company, located at 401 Pennsylvania Parkway, Suite 300, Indianapolis, Indiana 46280. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of GLAC. The last examination was conducted as of December 31, 2015 by the Delaware Department of Insurance (Department). This examination covers the four-year period from January 1, 2016 through December 31, 2019.

We conducted our examination 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in 18 *Del. C.* § 321, 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.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, KPMG LLP (KPMG). Certain auditor work papers of the 2019 audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

The Company was incorporated in Missouri on August 29, 1985, as Kansas City Variable Life Company, and commenced operations on October 1, 1985. On June 30, 1993, after an acquisition by Heartland Health Network Corp. and IASD Health Services Corp., the Company re-domesticated to Iowa and changed its name to Community Financial and Insurance Corp.

Effective April 2, 1997, the Company changed its name to Wellmark Community Insurance, Inc.

Effective August 31, 2009, the Company was acquired by GLAC Holdings, LLC (GLH), a limited liability company organized under the laws of Delaware. GLH is 100% owned by GPFT Holdco, LLC, (GPFT), a limited liability company organized under the laws of Delaware. GPFT is a wholly owned indirect subsidiary of Guggenheim Capital, LLC (GC), a limited liability company organized under the laws of Delaware. Therefore, the Company is considered an indirect subsidiary of GC.

On September 15, 2009, the Company’s name was changed from Wellmark Community Insurance, Inc. to Guggenheim Life and Annuity Company.

On December 31, 2009, the Company issued 275,000 shares of $10 par value common stock for $2,750,000 to its immediate parent GLH. The Company received an initial capital contribution of $145,000,000 on December 18, 2009 from GLH.

The Company re-domesticated from Iowa to Delaware effective June 1, 2010.

On December 15, 2010, GLAC entered into a definitive agreement (the "Reorganization Agreement") with the Rehabilitator of Standard Life Insurance Company of Indiana and Standard Life Insurance Company of Indiana (Standard Life). Under the Reorganization Agreement which closed March 2, 2011, GLAC indemnity reinsured 100% of the annuity blocks of Standard Life. GLAC subsequently assumed as direct obligations of GLAC, all of the Standard Life's annuities, and subsequently retroceded that business to an affiliate, Paragon Life Insurance Company of Indiana (PLIC).

On February 28, 2018, PLIC was merged with and into GLAC. As a result of this merger, the Company recaptured 100% of the business ceded to PLIC. The Company issued 48,529 shares of $10 par value common stock for $485,290 to its parent PLIC Holdings, LLC (PLH). As of the merger date, the Company is now owned 85% by GLH and 15% by PLH.

The Company's upstream intermediate parent, GC, indirectly owns 100% of GLH and PLH. The only owner of more than 10% of GC is Sammons Enterprise, Inc. (SEI). Through its holdings of 100% of SEI common stock, the ultimate controlling person of the Company is the SEI Employee Stock Ownership Trust (ESOT). SEI and Greatbanc Trust Company serve as trustees of the ESOT at the discretion of the Board of Directors (Board) of SEI.

Capitalization

The Restated Certificate of Incorporation provides that the total number of shares of all classes of stock that the Corporation has the authority to issue is 1,000,000, all of which shall be shares of common stock, $10.00 par value per share. At December 31, 2019, 323,529 shares were issued and outstanding, resulting in total capital stock of $3,235,290. All common stock shares of the Company are owned by GLH (275,000 shares or 85%) and PLH (48,529 shares or 15%).

As a result of the merger of PLIC with and into GLAC on February 28, 2018, the Company's gross paid-in and contributed surplus increased $74,014,710 from $400,000,000 to $474,014,710. As of December 31, 2019, the Company's gross paid-in and contributed surplus was $474,014,710. During the examination period, the Company did not receive any capital contributions.

Dividends

The Company's Board approved the following dividends during the exam period:

$	100,000,000 (1)
$	113,000,000 .(2)
$	120,000,000 (3)
$	60,000,000 (4)

(1) On March 16, 2016, the Company paid an ordinary cash dividend of $100,000,000 to GLH.
(2) On March 16, 2017, the Company paid an ordinary cash dividend of $113,000,000 to GLH.
(3) On March 20, 2018, the Company paid an ordinary cash dividend of $102,005,261 to GLH and $17,994,739 to PLH.
(4) On March 21, 2019, the Company paid an ordinary cash dividend of $51,000,000 to GLH and $9,000,000 to PLH.

All dividends were approved in the Board minutes and proper filings were made to the Department.

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Law of the State of Delaware, as implemented by the Company's Articles of Incorporation and bylaws, the property, business and affairs of the Company shall be managed by a Board. The bylaws, as amended June 1, 2010, require that the Board consist of neither less than one (1) nor more than five (5) directors. The Board shall be elected at the annual meeting of stockholders and each director shall be elected to hold office until the next succeeding annual meeting and until his successor is elected and qualified or until his earlier death, resignation, or removal.

At December 31, 2019, the members of the Company's board of directors, together with their principal business affiliations, were as follows:

Name and Location	**Principal Occupation**
David Lee Korman Chicago, Illinois	Senior Managing Director Guggenheim Partners, LLC
Dennis Arthur Cullen Northbrook, Illinois	Principal/Majority Owner Retired NM Lighting Solutions
Daniel Jonathan Towriss Indianapolis, Indiana	President and Chief Executive Officer Guggenheim Life and Annuity Company

The minutes of the meetings of the shareholders and Board, which were held during the period of examination, were obtained and reviewed. Attendance at meetings, election of directors and officers, and approval of investment transactions were noted.

Committees

Article III of the Company's Amended and Restated bylaws states that the Board may designate committees. Each committee shall consist of one or more of the directors of the Company. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

As of December 31, 2019, the Board had designated only one committee, an audit committee.

During the period covered by this examination, there was one member of the audit committee, Mr. Cullen. The sole member of the audit committee was considered independent.

Officers

Article IV of the Company's Amended and Restated bylaws states that the Company's officers shall consist of a chief executive officer, president, chief operating officer, secretary, and treasurer, who shall be elected by the Board and who shall hold office until their successors are elected and qualified. The Board may also appoint vice presidents, assistant secretaries, assistant treasurers and other officers as may from time to time be appointed by the Board. Any number of offices may be held by the same person.

The officers of the Company shall hold office until their successors are chosen and qualified or until their earlier resignation or removal. Any officer elected or appointed by the Board may be removed at any time, with or without cause, by the Board. The Board may leave unfilled for any such period as it may fix, any office, except those of President and Secretary.

At December 31, 2019, the Company's principal officers and their respective titles were as follows:

Name	**Principle Occupation**
Daniel Jonathan Towriss	President and Chief Executive Officer
Ellyn Michelle Nettleton	Controller and Treasurer
Stephen Merle Coons	Secretary
James Darrell Purvis	Chief Operating Officer
Ryan Truman Cloud	Assistant Secretary

In addition to the above officers, additional vice presidents, assistant vice presidents and other officers were appointed.

The Company maintains a formal written Code of Conduct, which sets out minimum standards of ethical conduct that applies to all employees, officers and directors. Incorporated into the Code of Conduct is a conflict of interest policy. Each year, all employees, officers and directors are required to complete a Code of Conduct Annual Compliance Confirmation, confirming their compliance with the Code of Conduct. If a director or officer is unable to make an unqualified Code of Conduct certification, the General Counsel would report that finding to the Board.

Effective November 29, 2017, and as updated August 2, 2019, the Board adopted a separate Conflict of Interest Policy specifically for directors, requiring completion of a separate annual disclosure in addition to the annual Code of Conduct certification. Effective June 3, 2020, the Conflict of Interest Policy was updated to apply to both directors and executive officers of the Company.

In accordance with the Department Examination Handbook, Section 12, a review of biographies and inquiries with Management noted that there was no indication of any criminal conviction of officers, directors, or key employees of the Company.

<u>Corporate Records</u>

The recorded minutes of the shareholders and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

<u>Insurance Holding Company System</u>

The Company is a member of an insurance holding company system as defined in 18 *Del. C.* §5001(4) "Insurance Holding Company System". The Company's Holding Company Registration Statements were timely filed with the Department for the years under examination.

An abbreviated presentation of the holding company system as of December 31, 2019, is as follows:

Company	Domicile	% own
Sammons Enterprises, Inc. Employee Stock Ownership Trust		
Sammons Enterprises, Inc.	Delaware	100%
Consolidated Investment Services, Inc.	Nevada	100%
Sammons Equity Alliance, Inc.	Delaware	100%
SAGE Assets, Inc.	Delaware	100%
Guggenheim Capital, LLC	Delaware	36.5%
Guggenheim Partners, LLC	Delaware	100%
SBTree, Inc.	Delaware	100%
South Blacktree Agency, LLC	Texas	100%
GP Holdco, LLC	Delaware	99.5%
GPFT Holdco, LLC	Delaware	100%
Guggenheim Insurance Holdco, LLC	Delaware	100%
Guggenheim Insurance Services LLC	Delaware	100%
PLIC Holdings, LLC	Delaware	100%
Guggenheim Life and Annuity Company	**Delaware**	**15%**
GLAC Holdings LLC	Delaware	100%
Guggenheim Life and Annuity Company	**Delaware**	**85%**
Guggenheim Life Reinsurance (U.S.) Corporations	Delaware	100%
Clear Spring Life Insurance Company	Texas	100%
Conway Capital, LLC	Delaware	100%
GLAC Investment Holdings, LLC	Delaware	100%
GLAC Investment Holdings II, LLC	Delaware	100%
GLAC Investment Holdings III, LLC	Delaware	100%
Paragon GBM Investco, LLC	Delaware	100%
Elsmere Insurance Agency, LLC	Delaware	100%
GLAC GBM Investco, LLC	Delaware	100%
IDF I, LLC	Delaware	100%
IDF II, LLC	Delaware	100%
Saganaw Insurance Agency, LLC	Delaware	100%
Retail Investors III, LLC	Delaware	99.5%
Tomorrow, LLC	Delaware	100%
Guggenheim Life 1099 Reporting Company, LLC	Delaware	100%

Agreements with Affiliates

- Limited Liability Company Agreement with GLAC Investment Holding, LLC

Effective May 16, 2016, the Company executed a Limited Liability Company Agreement with GLAC Investment Holding, LLC (GLAC Investco) for the sole purpose of holding and managing the Company's derivative asset portfolio, acquired pursuant to the Company's Derivative Use Plan, associated with the Company's annuity hedging program.

Specifically, GLAC Investco is used to purchase and hold fully paid-up options contracts acquired to hedge index credit risk exposure associated with the Company's indexed products hedging program. During the year ended December 31, 2019 and December 31, 2018, the Company received $0 and $15,000,000 respectively, in distributions from GLAC Investco, which are recorded as investment income. At December 31, 2019, the Company had no distributions accrued from GLAC Investco.

- <u>Operating Agreement with GLAC Investment Holdings II, LLC</u>

Effective November 21, 2016, the Company executed an Operating Agreement with GLAC Investment Holding II, LLC (GLAC Investco II), a limited liability company formed on November 21, 2016, with the intention to be used to purchase and hold the Company's positions in futures transactions. GLAC Investco II has never been operational; however, the Operating Agreement remains in place in the event that GLAC Investco II services are needed. As of December 31, 2019, the Company had no distributions accrued from GLAC Investco II.

- <u>Operating Agreement with GLAC Investment Holdings III, LLC</u>

Effective November 21, 2016, the Company executed an Operating Agreement with GLAC Investment Holding III, LLC (GLAC Investco III), a limited liability company formed on November 21, 2016, with the intention to purchase and hold the Company's positions in swaps transactions. In April 2018, the operations of GLAC Investco III ceased altogether; however, the Operating Agreement remains in place in the event that GLAC Investco III services are needed. As of December 31, 2019, the Company had no distributions accrued from GLAC Investco III.

- Limited Discretionary Investment Advisory Agreement with Guggenheim Investment Advisors, LLC

Effective January 1, 2016, the Company entered into a Limited Discretionary Investment Advisory Agreement with Guggenheim Investment Advisors, LLC (GIA). Pursuant to the agreement, GIA provides investment services with limited discretion with respect to the establishment of hedging positions to protect the Company from certain directional investment risks. Invoices are prepared quarterly by GIA, and are payable by the Company within 10 business days after receipt of such invoice. At December 31, 2019, the Company paid GIA $650,621, with an additional $200,000 payable.

- Middle Office Services Agreement with Guggenheim Insurance Services, LLC

Effective July 23, 2018, the Company entered into a Middle Office Services Agreement with Guggenheim Insurance Services, LLC (GIS). Pursuant to the agreement, GIS provides certain middle office services, including, but not limited to, operational aspects of settlement of contracts and transactions in securities between GLAC and its counterparties. For these services, the Company pays GIS a fee equal to 2 basis points annually of the net asset value of the assets subject to such agreement. The service fee is calculated and accrued monthly and is payable and invoiced quarterly in arrears. At December 31, 2019, the Company paid GIS $1,814,704, with an additional $500,000 payable.

- Amended and Restated Master Agency Agreement with GL Marketing, LLC

Effective January 1, 2019, the Company entered into a Master Agency Agreement with GL Marketing, LLC (GLM). Pursuant to the agreement, GLM provides certain distribution and agent management services to the Company. The Company pays a fixed monthly servicing fee as determined by GLM based on a proposed annual operating budget.

On June 27, 2019, the agreement was amended and restated in its entirety effective January 1, 2019, to provide clarification regarding commission payments. Pursuant to the Amended and Restated Master Agreement, the Company makes commission payments to GLM on certain products as long as policies are in-force.

Effective August 29, 2019, an amendment side letter was approved, which revised the proposed operating budget for GLM on which the monthly service fee is based. At December 31, 2019, the Company paid $1,950,000 in service fees, and $6,700,000 in commission payments to GLM.

- Employee Transition Services, Agreement with GLM

Effective January 1, 2019, the Company entered into an Employee Transition Services Agreement with GLM. Under terms of the agreement, the Company is reimbursed by GLM for personnel costs, benefits, general insurance, and administrative expenses related to Company employees utilized by GLM. The fees are calculated and invoiced monthly. At December 31, 2019, the Company received $1,500,000 in service fees.

- Other Intercompany Agreements

The following agreements were entered into prior to the examination period, and remained in-force as of December 31, 2019:

Description	**Effective Date**
Investment Management Agreement with GPIM	December 17, 2009
Selling Agreement with GINVS and South Blacktree Agency LLC	November 1, 2010 (1)
Administrative Services Agreement with GIS	January 1, 2013 (2)
Intercompany Service Agreement with GCREF	January 1, 2013
Administrative Services Agreement with CSLIC	January 30, 2015 (3)
Books and Records under Admin Services Agreement with CSLIC	May 28, 2015
Sublease Agreement with GIS	July 13, 2012
Tax Sharing Agreement with CSLIC	August 20, 2015 (4)

(1) Effective April 20, 2012, this agreement was amended by Amendment No. 1 to expand products that are subject to the selling agreement. As of December 31, 2019, the products covered under this agreement were no longer being distributed.

(2) Originally effective October 1, 2011, this agreement was amended, effective April 1, 2012, by Amendment No. 1 to clarify the scope of insurance services to be delivered by GIS. Effective January 1, 2013, this agreement was restated and amended in its entirety.
(3) On June 2, 2015, effective January 30, 2015, the agreement was amended by Amendment No. 1, clarifying language in the original agreement that had previously been approved by the Department on December 2, 2014. Effective July 23, 2018, this agreement was amended by Amendment No. 2, clarifying that the scope of services provided to CSLIC by the Company includes middle office services.
(4) Effective August 20, 2015, this agreement was amended to add additional language pertaining to the establishment of tax payables.

Acronym Legend
GCREF – Guggenheim Commercial Real Estate Finance, LLC
GINVS – Guggenheim Investor Services, LLC
GIS – Guggenheim Insurance Services, LLC
GPIM - Guggenheim Partners Investment Management, LLC

TERRITORY AND PLAN OF OPERATION

Territory

The Company is authorized as a stock insurer to transact the business of life, including annuities, variable life, and variable annuities and health insurance as defined in 18 *Del. C.* § 902 "Life insurance". The principal office facilities of the Company are located in Indianapolis, Indiana.

As of December 31, 2019, the Company was licensed to transact multiple lines of business in 49 states, Puerto Rico and the District of Columbia. The Company was not licensed in New York. No new jurisdictions were added during the examination period.

Plan of Operation

At December 31, 2019, approximately fifty-nine percent (58.99%) of direct premiums were produced in seven states. The geographical breakdown of direct written premiums as of December 31, 2019 was: California, $60,823,190 (4.31%); Florida, $67,049,711 (4.75%); Delaware, $149,914,006 (10.62%); Indiana, $362,930,373 (25.72%); Pennsylvania, $49,872,561 (3.53%); Michigan $84,161,925 (5.96%); New Jersey $57,842,600 (4.10%) and other jurisdictions, $578,754,618 (41.01%).

The Company has primarily been an annuity focused company, acquiring annuity business through reinsurance transactions, and direct issuance of fixed annuities, fixed indexed annuities, and offering private placement universal life products to high net worth individuals. The Company's marketing and sales strategy includes expanding its retail presence, reviewing potential selective reinsurance transactions and closed block acquisition opportunities, and product development partnership opportunities. The Company has three main markets: retail, reinsurance and private placements.

The retail market products include multi-year guarantee annuities (MYGA), fixed indexed annuities (FIA) and immediate annuities. MYGAs offer three to ten-year terms, with no surrender penalty after the initial contract period. Prior to that, a market value adjustment is imposed on early withdrawal or surrender. Riders available on MYGAs include nursing home care, terminal illness and return of premium.

The Company markets three FIAs. The first was introduced in 2015 named 'TriVysta', which offers one indexing strategy from Standard & Poor's (S&P) and two proprietary indices with volatility control. The second FIA was introduced in 2017 named 'Highlander', which offers multiple S&P indexing strategies. There is an optional Guaranteed Lifetime Withdrawal Benefit rider and a market value adjustment feature, which is applicable in most states. In 2018, the Company introduced a third FIA called 'Highlander 7', which has a seven-year surrender charge period. Immediate annuities are single premium with terms from five to twenty years. Distribution of the Company's products is nationwide, with over fifty independent marketing organizations (IMO) and over eleven thousand writing agents. An 'Elite' IMO Group, currently comprising fifteen IMOs, was established for selling TriVysta. Highlander is available to be sold by all of GLAC's appointed agents.

The Company participates in the reinsurance market through the assumption of closed blocks of business, primarily fixed annuities. However, in recent years, the Company has relied less on reinsurance as it builds its own retail presence, which progressed with the direct issuance of its first fixed indexed annuity product in 2015, as discussed previously.

The Company's private placement universal life product is focused on high net worth individuals and offer general and separate account funding agreements, and variable universal life. General account funding agreements are fee based and offer general account guarantees. Separate account funding agreements are a fee based segregated investment contract, but offer no separate account guarantees. Variable Universal Life is a fee-based product that also doesn't offer general account guarantees, and the death benefit is calculated by deducting fixed amount at risk from the account value.

In 2019, the Company began offering a pair of fixed annuity products through a digital distribution partner. The Company's target market is an individual who wants to invest between $250,000 and $500,000, with the ability to invest more than $500,000, in a simple and straightforward annuity product. For products sold through the Company's digital distribution platform, the target client is an individual who prefers to handle their own finances (without an agent), and are online-savvy consumers, looking to grow their assets in a simple and straightforward annuity product.

REINSURANCE

For 2019, the Company reported the following distribution of net premiums written:

Direct	$911,929,566
Reinsurance assumed (from affiliates)	2,839,872
Reinsurance assumed (from non-affiliates)	34,905,209
Total direct and assumed	$949,674,647
Less: Reinsurance ceded (to affiliates)	(194)
Less: Reinsurance ceded (to non-affiliates)	0
Net premium written	$949,674,841

The Company is involved in the assumption and cession of life insurance risk through various coinsurance agreements with affiliated and nonaffiliated companies. To the extent that any reinsuring companies are unable to meet obligations under the reinsurance agreements, the Company would remain liable for business ceded.

Since December 31, 2015, no new reinsurance treaties (assumed or ceded) have been added to the Company's reinsurance program. Further, as of August 31, 2017, the Company no longer participated in reinsuring new business on any of its previously entered closed-block reinsurance treaties. Consequently, as of December 31, 2019, the Company's reinsurance program was in run-off.

The following is a high-level description of the Company's reinsurance program at December 31, 2019, with material changes discussed:

<u>Assumed</u>

The Company exited an annuity reinsurance agreement with ELCO Mutual Life and Annuity (ELCO) on August 31, 2017, which had been retroceded to its affiliate, PLIC. At the date the Company exited the agreement, this business consisted of $1.0 billion of statutory reserves. This treaty became effective March 31, 2010 with ELCO, and was retroceded to PLIC on January 31, 2011.

As of December 31, 2019, the Company's assumed reinsurance program consisted of $4.7 billion of reinsured reserves with $2.3 billion funds withheld under coinsurance. The Company assumes business on a quota share, coinsurance, and coinsurance funds withheld basis. Assumed business consists of universal life, traditional life, deferred annuities, FIA, MYGA, supplemental contracts, premium deposit funds, and funding agreements.

Ceded

The Company exited a reinsurance treaty with an affiliate, PLIC, effective February 28, 2018, for several annuity blocks of business. At February 28, 2018, the statutory reserves associated with this business was $180 million.

As of December 31, 2019, the Company's ceded reinsurance program consisted of $393 million of reserve credit taken with $251 million of funds withheld under coinsurance. The Company cedes business on a coinsurance funds withheld basis. Business ceded consists of fixed indexed annuities, multi-year guaranteed annuities, and funding agreements.

Reinsurance Contract Review

There were no new reinsurance contracts put into place during the examination period for the Company. No review was necessary to comply with 18 *Del. Admin Code* §1000, NAIC Guidelines and Statutory Accounting Principles. No exceptions were noted.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

General Account:

- Statement of Assets and Liabilities as of December 31, 2019
- Statement of Income for the year ended December 31, 2019
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2015 to December 31, 2019

Separate Accounts:

- Statement of Assets and Liabilities as of December 31, 2019

Statement of Assets and Liabilities
As of December 31, 2019

	Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	$ 6,849,189,837	$	$ 6,849,189,837	
Stocks:				
Preferred stocks	30,970,639		30,970,639	
Common stocks	149,846,589		149,846,589	
Mortgage loans on real estate				
First liens	493,766,429		493,766,429	
Cash, cash equivalents and short-term investments	1,137,561,300		1,137,561,300	
Contract loans	6,711,195		6,711,195	
Derivatives	1,649,150		1,649,150	
Other invested assets	555,037,003	105,174	554,931,829	
Receivables for securities	8,606,976		8,606,976	
Investment income due and accrued	145,174,073	18,653	145,155,420	
Premiums and considerations				
Deferred premiums, agents' balances and installments booked but deferred	296,732		296,732	
Reinsurance:				
Funds held by or deposited with reinsured companies	2,299,048,588		2,299,048,588	
Other amounts receivable under reinsurance contracts	2,808,201		2,808,201	
Current federal and foreign income tax recoverable and interest thereon	8,028,925		8,028,925	
Guarantee funds receivable or on deposit			-	
Electronic data processing equipment and software	975,946	975,946	-	
Furniture and equipment, including health care delivery assets	342,772	342,772	-	
Receivable from parent, subsidiaries and affiliates	328,637		328,637	
Aggregate write-ins for other than invested assets	59,092		59,092	
Total assets excluding Separate Accounts	$ 11,690,402,084	$ 1,442,545	$ 11,688,959,539	
From Separate Accounts	2,196,308,908	-	2,196,308,908	
Total	$ 13,886,710,992	$ 1,442,545	$ 13,885,268,447	

		Notes
Aggregate reserves for life contracts	$ 8,708,878,670	1
Aggregate reserves for accident and health contracts	70,051	1
Liability for deposit type contracts	1,678,831,501	1
Contract claims:		
Life	21,019,587	1
advance	18,839	
Contract liabilities not included elsewhere:		
Other amounts payable on reinsurance	19,797,805	
Interest maintenance reserve	59,437,315	
Commissions to agents due or accrued	4,237,303	
General expenses due or accrued	7,863,030	
Taxes, licenses and fees	169,178	
Net deferred tax liability	87,246,233	
Unearned investment income	213,860	
Amounts withheld or retained by company as agent or trustee	1,265,465	
Remittances and items not allocated	7,425,909	
Miscellaneous liabilities:		
Asset valuation reserve	85,622,703	
Payable to parent, subsidiaries and affiliates	10,749,650	
Funds held under coinsurance	251,016,733	
Payable for securities	27,693,863	
Aggregate write-ins for liabilities	3,337,903	
Total liabilities excluding Separate Accounts	$ 10,974,895,598	
From Separate Accounts Statement	2,196,308,908	
Total Liabilities	$ 13,171,204,506	
Common capital stock	3,235,290	
Gross paid-in and contributed surplus	474,014,710	
Unassigned funds	236,813,941	
Surplus	$ 714,063,941	
Total Liabilities, Capital and Surplus	$ 13,885,268,447	

Statement of Income
For the Year Ended December 31, 2019

			Notes
Premiums and annuity considerations for life and accident and health contracts	$	949,674,841	
Consideration for supplementary contracts with life contingencies		1,468,377	
Net investment income		589,177,576	
Amortization of Interest Maintenance Reserve		4,636,165	
Commissions and expense allowances on reinsurance ceded		619,003	
Miscellaneous income:			
Income from fees associated with investment management, administration and		-	
Aggregate write-ins for miscellaneous income		1,492,203	
Totals	$	1,547,068,165	
Death benefits	$	7,825,072	
Matured endowments (excluding guaranteed annual pure endowments)		240,751	
Annuity benefits		327,403,442	
Disability benefits and benefits under accident and health contracts		42,204	
Surrender benefits and withdrawals for life contracts		788,078,939	
Interest and adjustments on contract or deposit-type contract funds		10,195,256	
Payments on supplementary contracts with life contingencies		2,206,322	
Increase in aggregate reserves for life and accident and health contracts		274,396,847	
Totals	$	1,410,388,833	
Commissions on premiums, annuity considerations and deposit-type contracts funds		44,124,569	
Commissions and expense allowances on reinsurance assumed		24,881,119	
General insurance expenses		91,771,086	
Insurance taxes, licenses and fees, excluding federal income taxes		4,254,189	
Increase in loading on deferred and uncollected premiums		-	
Net transfers to or (from) Separate Accounts net of reinsurance		(142,966,251)	
Aggregate write-ins for deductions		-	
Totals	$	1,432,453,545	
Net gain from operations before dividends to policyholders and federal income taxes	$	114,614,620	
Dividend to policyholders		-	
Net gain from operations after dividends to policyholders and before federal income taxes		114,614,620	
Federal and foreign income taxes incurred		35,924,486	
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains (losses)		78,690,134	
Net realized capital gains (losses)		(2,011,178)	
Net Income	$	76,678,956	

Separate Accounts
Statement of Assets and Liabilities
As of December 31, 2019

	General Account Basis	Fair Value Basis	Total	Notes
Other invested assets	$ 2,196,308,908	$ -	$ 2,196,308,908	
Total	$ 2,196,308,908	$ -	$ 2,196,308,908	

	General Account Basis	Fair Value Basis	Total
Liability for deposit-type contracts	$ 2,196,308,908	$ -	$ 2,196,308,908
Total	$ 2,196,308,908	$ -	$ 2,196,308,908

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2016, to December 31, 2019

	Common capital stock	Gross paid-in and contributed surplus	Net change in Unassigned Funds	Capital and surplus	
12/31/2016 (1)	$ 2,750,000	$ 400,000,000	$ 51,179,566	$ 651,116,828	
12/31/2017 (2)			(42,550,918)	608,565,910	Pre-merger
12/31/2017 (3)	485,290	74,014,710	32,904,470	715,970,380	Post-merger
12/31/2018 (4)			(17,125,581)	698,844,799	
12/31/2019 (5)			15,219,142	714,063,941	

(1) On March 1, 2016, the Company notified the Department of their intent to pay a $100 million ordinary dividend. The dividend was paid to the Company's immediate upstream parent, GLH on March 16, 2016.

(2) On March 2, 2017, the Company notified the Department of their intent to pay a $113 million ordinary dividend. The dividend was paid to the Company's immediate upstream parent, GLH on March 16, 2017.

(3) Effective February 28, 2018, the Company obtained approval from the applicable state insurance departments of Delaware and Indiana to merge PLIC, with and into the Company, with the Company remaining as the surviving entity. The combination was accounted for using the statutory merger method. The financial statements of the Company were restated as if the merger had occurred on January 1, 2017, in accordance with *Statutory Statement of Accounting Principles No. 3 - Accounting Changes and Corrections of Errors*. As a result of this merger, the Company recaptured 100% of all business ceded to PLIC, and issued 48,529 shares of $10 par value common stock for $485,290 to its parent PLH. As of the merger date, the Company is now owned 85% by GLH and 15% by PLH.

(4) On March 7, 2018, the Company notified the Department of their intent to pay a $120 million ordinary dividend. The dividend was paid to the Company's immediate upstream parents, GLH in the amount of $102,005,261, and PLH in the amount of $17,994,739, on March 20, 2018.

(5) On March 25, 2019, the Company notified the Department of their intent to pay a $60 million ordinary dividend. The dividend was paid to the Company's immediate upstream parents, GLH in the amount of $51 million and PLH in the amount of $9 million, on March 21, 2019.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Aggregate reserve for life contracts	$8,708,878,670
Aggregate reserve for accident & health contracts	$70,051
Liability for deposit-type contracts	$1,678,831,501
Contract claims:	
Life	$21,019,587

In order for the examination team to gain an adequate comfort level with the Company's reserve estimates for Aggregate reserve for life contracts, Aggregate reserves for A&H contracts, Liability for deposit-type contacts, and Contract claims: life and A&H, the Department retained the actuarial services of INS Consultants, Inc. (INS) to perform a risk-focused review of the Company's reserving and pricing activities. Certain risks within the reserving processes required Phase 5 substantive test work.

Based on the procedures performed and results obtained by INS, the examination team obtained sufficient evidence to support the conclusion that the Company's net reserves for the aforementioned balance sheet items are reasonably stated as of December 31, 2019.

SUBSEQUENT EVENTS

The following material subsequent events occurred, requiring disclosure in this examination report.

Dividend Payment

On April 24, 2020, the Company paid an ordinary cash dividend of $21,250,000 to GLH and $3,750,000 to PLH. The Department approved the payment on April 28, 2020.

Intercompany Agreement

Subsequent to the period under examination, the Company entered into the following new intercompany agreement:

Cost and Liability Allocation Agreement with Delaware Life Insurance Company and GIS

Effective July 23, 2018, the Company entered into a Cost and Liability Allocation Agreement with Delaware Life Insurance Company (DLIC) and GIS. Both the Company and DLIC have entered into separate Middle Office Services Agreements with GIS, under which GIS provides certain middle office services. The Company, DLIC, and GIS have each separately entered into an Aladdin® Access Agreement with Blackrock, under which Blackrock has implemented and is providing its proprietary Aladdin® trading, portfolio management and risk reporting system for the investment portfolios of each company.

Under terms of this agreement, the Companies have each agreed that GIS will utilize Blackrock's Aladdin® System in connection with providing services to the Companies under their respective Middle Office Services Agreements. GIS shall reimburse each Company for all fees and other charges incurred under their respective Aladdin® Access Agreements.

This agreement was approved by the Department on August 5, 2020, with an effective date of July 23, 2018.

Other - COVID-19

The spread of COVID-19 is worldwide, dislocating the capital markets and affecting every industry. The Company has effectively responded to the pandemic by both protecting its employees and maintaining business continuity. The Company further believes that its strong capital and liquidity positions make it well-positioned to weather current market volatilities and business disruptions related to the pandemic. However, there is considerable uncertainty around both the severity and the duration of the COVID-19 outbreak, and for that reason the future financial and other impacts of the pandemic cannot reasonably be estimated at this time.

SUMMARY OF RECOMMENDATIONS

There were no examination report findings or recommendations as a result of the December 31, 2019 examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS, the Company's outside audit firm, KPMG, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

Keith E. Misenheimer, CFE, ALMI, CFE, ARM
Examiner-In-Charge
State of Delaware

James Call, CFE
Supervising Examiner
State of Delaware

I, Keith E. Misenheimer, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 20.015.

Keith E. Misenheimer, CFE, ALMI, CFE, ARM