

EXAMINATION REPORT
OF
DL REINSURANCE COMPANY
AS OF
DECEMBER 31, 2019

Office of the
Commissioner



Delaware
Department of Insurance

REPORT ON EXAMINATION
OF
DL REINSURANCE COMPANY
AS OF
DECEMBER 31, 2019

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.

A handwritten signature in blue ink that reads "Trinidad Navarro".

Trinidad Navarro
Insurance Commissioner

Dated this 14 day of June, 2021

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May 15, 2021

Honorable Trinidad Navarro
Commissioner
Delaware Department of Insurance
1351 W. North St., Suite 101
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 20.017, dated March 3, 2020, an examination has been made of the affairs, financial condition and management of

DL REINSURANCE COMPANY

hereinafter sometimes referred to as the Company or DLRC. The Company was incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1209 Orange Street, Wilmington, Delaware 19801. The examination was conducted at the main administrative offices of the Company, located at 1601 Trapelo Road, Suite 30, Waltham MA 02451. The report of examination is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of DLRC. 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. The examination was a coordinated examination, and was conducted concurrently with the

examination of other insurance entities within the Group One Thousand One holding company system (the Group), including: Delaware Life Insurance Company (DLIC), Delaware Life Insurance Company of New York (DLNY), Clear Spring Health Insurance Company (CSHIC), Eon Health, Inc. (GA) (EONGA), Community Care Alliance of Illinois, Inc. (CCAI), Clear Spring Health of Illinois, Inc. (CSHIL), Clear Spring Health (VA), Inc. (CSHVA), Clear Spring Property and Casualty Company (CSPC), Lackawanna American Insurance Company (LAIC), Lackawanna Casualty Company (LCC), and Lackawanna National Insurance Company (LNIC). The State of Delaware was the assigned lead state. To the fullest extent, the efforts, resources, project materials and findings were coordinated and made available to all examination participants. Separate reports of examination were filed for each company.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (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, PricewaterhouseCoopers LLP (PwC). 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

On October 23, 2014, the Company was formed and capitalized as a new insurance subsidiary of DLIC. The Company is a Delaware domestic insurance company, licensed only in Delaware. DLIC contributed a total of \$30.0 million to capitalize the Company in the fourth quarter of 2014.

Effective December 31, 2014, the Company entered into a combination modified coinsurance and funds-withheld reinsurance agreement with DLIC under which the Company reinsured certain of DLIC's variable annuity contracts with guaranteed benefits.

The Company plans to serve solely as reinsurer of DLIC's variable annuity products with no intention to issue life insurance or annuity products.

Capitalization

The Company's Certificate of Incorporation, as amended, provides that the Company has authority to issue 3,000 shares of common stock without par value. As of December 31, 2019, 100 shares of common stock were issued and outstanding. In 2014, the Company received a total of \$30 million in capital contributions from its parent, DLIC, of which \$300,000 was recorded as common capital stock (which is the minimum paid-in capital stock required for a stock life insurance company per 18 *Del. C.* §511(a)). All common stock shares of the Company are owned by DLIC.

As of December 31, 2019, the Company reported capital and surplus of \$3,371,372, as well as contributed surplus of \$2,392,522. During 2019, the Company distributed excess capital to its parent, DLIC, in the form of a return of capital in the amount of \$27,307,478.

Dividends

The Company's Board of Directors (Board) approved the following dividends during the exam period:

2016	\$	-
2017	\$	-
2018	\$	2,878,277 ⁽¹⁾
2019	\$	3,692,522 ⁽²⁾

(1) On October 3, 2018, the Company paid an ordinary cash dividend of \$2,878,277 to DLIC.

(2) On September 18, 2019 and December 13, 2019, the Company paid an ordinary dividend of \$2,357,411 and an extraordinary dividend of \$1,335,411 to DLIC.

All dividends were approved by the Board and proper filings were made with the Department for the ordinary and extraordinary dividends.

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Laws of the State of Delaware and implemented by the Company's Certificate of Incorporation, as amended, and bylaws, the business and affairs of the Company shall be managed by its Board, which may exercise all such powers of the corporation. The Company's bylaws state that the number of directors shall not be less than three (3). Further, the number of directors shall be determined by resolution of the Board or by the stockholders at the annual meeting. The directors shall be elected at the annual meeting of the stockholders and each director elected shall hold office until his or her successor is elected and qualified. As of December 31, 2019, the members of the Board, together with their respective principal occupation, were as follows:

<u>Name and Location</u>	<u>Principal Occupation</u>
Dennis Arthur Cullen Northbrook, Illinois	Independent Director; Audit Committee Chairman Retired
David Eugene Sams, Jr. Vero Beach, Florida	Independent Director; Chairman Delaware Life Insurance Company
Daniel Jonathan Towriss Zionsville, Indiana	Chief Executive Officer and President Delaware Life Insurance Company

The minutes of the meetings of the stockholder and the 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 3 of the bylaws states that the Board may designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the Company. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all

the powers and authority of the Board in the management of the business and affairs of the Company.

As of December 31, 2019, the only committee of the Board was the Audit Committee, which consisted of two (2) members of the Board, Mr. Cullen and Mr. Sams. Both members of the Audit Committee are considered independent.

Officers

Article 5 of the bylaws states that the officers of the Corporation shall include a Chief Executive Officer, President, Secretary, Treasurer, and such other officers as it shall deem necessary. The Board may also appoint a chairman, one (1) or more vice presidents, and such other officers as are from time to time desired.

The officers 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, by the affirmative vote of a majority of the whole Board. Any vacancy occurring in any office of the Company shall be filled by the Board.

As of December 31, 2019, the Company's principal officers together with their respective titles were as follows:

<u>Name</u>	<u>Title</u>
Daniel Jonathan Towriss	Chief Executive Officer and President
David Eugene Sams, Jr.	Chairman
Fang Linda Wang	Chief Financial Officer
Michael Scott Bloom	Senior Vice President and General Counsel and Secretary
Victor Edward Akin	Senior Vice President, Chief Actuary
Andrew Francis Kenney	Chief Investment Officer
Michael Kevin Moran	Senior Vice President and Chief Accounting Officer and Treasurer
James Darrell Purvis	Chief Operating Officer
Robert Brian Stanton	Senior Vice President, Information Technology and Operations
Michelle Beth Wilcon	Senior Vice President, Human Resources

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 the ethical guidelines to which all directors, officers, employees, and temporary workers are expected to adhere to on a consistent basis when conducting business at and on behalf of the Company. Incorporated into the Code of Conduct is a conflict-of-interest policy. On an annual basis, directors, officers, employees, and temporary workers are required to complete an Annual Compliance Confirmation that acknowledges they have read and are complying with the Code of Conduct.

Effective September 20, 2018, the Board of the Company adopted a Conflict of Interest Policy for Directors, which provides further guidance regarding conflicts that might arise among members of the Company's Board.

Corporate Records

The minutes of the meetings of the stockholder and Board, which were held during the period under examination, were obtained and reviewed. The recorded minutes of the stockholder and Board adequately documented their meetings, as well as the approval of Company transactions and events, including the authorization of investments as required by 18 *Del. C.* §1304 Authorization; record of investments. In addition, review of the Company's 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.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in 18 *Del. C.* §5001 “*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:

<u>Company</u>	<u>Domicile</u>	<u>% own</u>
Mark R. Walter (individual) (1)		
Delaware Life Holdings Manager, LLC (2)	Delaware	100%
DLICM, LLC (3)	Delaware	100%
Delaware Life Holdings Parent II, LLC	Delaware	15.1%
DLHPHII Equity Participation Company, LLC (3)	Delaware	100%
Delaware Life Holdings Parent II, LLC	Delaware	5.6%
Delaware Life Partners, LLC (4)	Delaware	
Delaware Life Holdings Parent II, LLC	Delaware	79.3%
Delaware Life Holdings Parent, LLC (5)	Delaware	100%
Group One Thousand One, LLC (6)	Delaware	91.9%
Delaware Life Insurance Company	Delaware	100%
Clear Spring PC Holdings, LLC (7)	Delaware	80%
Clear Spring PC Acquisition Corp.	Delaware	100%
Clear Spring Property and Casualty Company	Texas	100%
Conway Capital, LLC	Delaware	50%
Lackawanna Casualty Company (8)	Pennsylvania	100%
Lackawanna National Insurance Company	Pennsylvania	100%
Lackawanna American Insurance Company	Pennsylvania	100%
Delaware Life Insurance Company of New York	New York	100%
DL Reinsurance Company	Delaware	100%
Delaware Life Reinsurance (U.S.) Corp.	Oklahoma	100%
Delaware Investment DELRE Holdings 2009-1, LLC	Delaware	100%
DL Investment Holdings 2016-1, LLC	Delaware	100%
DL Investment Holdings 2016-2, LLC	Delaware	100%
Clarendon Insurance Agency, Inc.	Massachusetts	100%
DL Private Placement Investment Company I, LLC	Delaware	100%
DL Service Holdings, LLC	Alaska	100%
Clear Spring Health Holdings, LLC (9)	Delaware	100%
Clear Spring Health of Illinois, Inc.	Illinois	100%
Clear Spring Health Management Services, LLC	Delaware	100%
Community Care Alliance of Illinois, Inc.	Illinois	100%
Clear Spring Health Resources, Inc.	Delaware	100%
Clear Spring Health (CO), Inc.	Colorado	100%

Clear Spring Health Insurance Company	Arizona	100%
Clear Spring Health (IL), Inc.	Illinois	100%
Clear Spring Health (VA), Inc.	Virginia	100%
EON Health Plan, LLC	Delaware	100%
EON Health, Inc.	Georgia	100%
EON Health, Inc.	South Carolina	100%
IDF IX, LLC	Delaware	100%
IDF X, LLC	Delaware	100%
Ellendale Insurance Agency, LLC	Delaware	100%
EDL Holdings II, LLC	Delaware	100%
EDL Holdings, LLC	Delaware	100%
ELND Collateral Company II, LLC	Delaware	100%
EDIA Funding II, LLC	Delaware	100%
EDIA Funding I, LLC	Delaware	100%
EDIA Funding III, LLC	Delaware	100%
EDIA Funding IV, LLC	Delaware	100%
ELND Collateral Company, LLC	Delaware	100%
ELND Collateral Company Parent, LLC	Delaware	100%
Delaware Life Marketing, LLC	Delaware	100%
Dansbury Capital, LLC	Delaware	100%
Delaware Life (Bermuda) Holdings, Inc.	Delaware	100%
Delaware Life Insurance and Annuity Company (Bermuda) Ltd.	Bermuda	100%
Armstrong STF IV, LLC	Delaware	100%
1001 Capital, LLC	Delaware	100%
Group One Thousand One Advisory Services, LLC	Delaware	100%
Delaware Life Reinsurance (Barbados) Corp.	Barbados	100%
Wright STF III, LLC	Delaware	100%
Group One Thousand One Services, Inc.	Delaware	100%
G1001 Advisory Resources, LLC	Delaware	100%
Group 1001 Resources, LLC	Delaware	100%
PSA Realty Company	Pennsylvania	100%
Group 1001 Indiana Holdings, LLC	Indiana	100%
Gainbridge Insurance Agency, LLC	Delaware	100%
Tomorrow Loyalty Services, LLC	Delaware	100%

- (1) Mark R. Walter, an individual, holds 100% of the voting membership interests in DLICM, LLC (DLICM) and DLHP II Equity Participation Company, LLC (DEPC).
- (2) Delaware Life Holdings Manager, LLC is owned 100% by Mr. Walter; it is the designated Manager of (1) Delaware Life Holdings Parent II, LLC (DLHP II), (2) Delaware Life Holdings Parent, LLC (DLHP) and (3) Group One Thousand One, LLC (GOTO).
- (3) DLICM and DEPC together held a 20.73% economic / 100% voting membership interest in DLHP II.
- (4) Delaware Life Partners, LLC (DLP) held a 79.27% economic / non-voting membership interest in DLHP II. DLP is identified as a non-voting passive investor in DLHP II.
- (5) DLHP held a 91.8% economic / voting membership interest in GOTO. Daniel J. Towriss, an individual, held an 8.11% economic / voting membership interest in GOTO.
- (6) On October 5, 2017, Delaware Life Holdings, LLC was renamed GOTO.
- (7) At December 31, 2019, Clear Spring PC Holdings, LLC (CSPCH) was a joint venture between the Company and a third party. On December 30, 2020, the Company purchased 200 units of its 80% owned subsidiary, CSPCH, representing the

DL Reinsurance Company

20% minority interest owned by the third party, resulting in the Company's 100% ownership of CSPCH. CSPCH is an indirect wholly-owned subsidiary of CSPCH. A Statement of Divestiture from the third party was not required by the Texas Department of Insurance pursuant to Texas Insurance Code 823.164(f)(2), as the Company already owned more than 50% of CSPCH.

- (8) On April 1, 2019, the Company acquired LCC, along with its subsidiaries LAIC and LNIC, each a Pennsylvania domiciled worker's compensation insurance company. Following the acquisition, the Company owned all of the issued and outstanding Class A shares of common stock of LCC and all of the issued and outstanding Class B shares of common stock of LCC, and all of the issued and outstanding Class B shares of common stock of LAIC and LNIC. On December 3, 2019, the Company contributed the Class B shares of common stock of LAIC and LNIC to the capital of LCC, resulting in LAIC and LNIC becoming wholly owned by LCC.
- (9) On May 31, 2017, Clear Spring Health Holdings, LLC was formed as a direct subsidiary of the Company, for the purpose of owning and operating health insurance plans. The initial target market has been the senior market, specifically Medicare Advantage with prescription drug coverage, and stand-alone Medicare Part D prescription drug plans.

Agreements with Affiliates

During the examination period, the Company did not enter into any new agreements with affiliates.

The following agreements were entered into prior to the period covered by this examination and remained in effect as of December 31, 2019:

<u>Description</u>	<u>Effective Date</u>
Tax Sharing Agreement with DLNY, DLIC and Clarendon Insurance Agency, Inc.	December 15, 2014
Administrative Services Agreement with DLIC	December 22, 2014

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2019, the Company was licensed to transact multiple lines of insurance business solely in the state of Delaware.

The Company is authorized as a stock insurer to transact the business of life, including annuities, variable life, and variable annuities insurance as defined in 18 *Del. C.* §902 "Life insurance".

The principal office facilities of the Company are located in Waltham, Massachusetts.

Plan of Operation

The Company was formed to act as a reinsurer for DLIC's variable annuity products with no intention to issue life insurance or annuity products. As of December 31, 2019, the Company did not have any direct written premium.

REINSURANCE

The Company had the following reinsurance program in effect during the examination period:

Assumed

Effective December 31, 2014, the Company entered into a combination modified coinsurance and funds-withheld coinsurance agreement with its parent, DLIC. Under this agreement, the Company reinsures certain risks of DLIC's variable annuity products. Approval of this agreement was received from the Department on December 29, 2014. It is accounted for using deposit accounting in accordance with SSAP No. 61R – *Life, Deposit-Type and Accident and Health Reinsurance*.

In 2015, the Company entered into a reinsurance agreement with DLIC under which DLIC ceded and the Company reinsured, on an indemnity coinsurance funds-withheld basis, the quota share of risks associated with various fixed index annuity products and associated riders. The agreement was effective as of January 1, 2015. Approval of this agreement was received from the Department on June 30, 2015. It was accounted for using deposit accounting in accordance with SSAP No. 61R – *Life, Deposit-Type and Accident and Health Reinsurance*. This treaty was partially recaptured as of January 1, 2019, and fully recaptured as of April 1, 2019.

Ceded

The Company does not cede any business to affiliates or non-affiliates.

Reinsurance Contract Review

A review was performed of new reinsurance contracts put in place during the examination period for compliance with 18 *Del. Admin. Code* §1000 and NAIC *Guidelines and Statutory Accounting Principles* (SSAP). No exceptions were noted as there were no new reinsurance contracts put into place during the examination period.

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

Statement of Assets and Liabilities
As of December 31, 2019

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>	<u>Note</u>
Bonds	\$ 99,826		\$ 99,826	
Cash and cash equivalents	3,445,579		3,445,579	
Subtotals, Cash and Invested Assets	<u>\$ 3,545,405</u>	<u>\$ -</u>	<u>\$ 3,545,405</u>	
Investment income due and accrued	5,243		5,243	
Reinsurance				
Funds held by or deposited with reinsured companies	371,013,399		371,013,399	
Other amounts receivable under reinsurance contracts	156,008		156,008	
Current federal and foreign income tax recoverable and interest thereon	7,539		7,539	
Net deferred tax asset	281,010		281,010	
Total assets excluding Separate Accounts	<u>\$ 375,008,604</u>	<u>\$ -</u>	<u>\$ 375,008,604</u>	
From Separate Accounts	-	-	-	
Total Assets	<u>\$ 375,008,604</u>	<u>\$ -</u>	<u>\$ 375,008,604</u>	
				<u>Note</u>
Aggregate reserves for life contracts			\$ -	
Contract liabilities not included elsewhere				
Interest Maintenance Reserve			43,787	
General expenses			391,250	
Payable to parent, subsidiaries, and affiliates			83,821	
Payable for securities			104,976	
Aggregate write ins for liabilities			371,013,399	1
Total liabilities excluding Separate Accounts			<u>\$ 371,637,232</u>	
From Separate Accounts Statement			-	
Total Liabilities			<u>\$ 371,637,232</u>	
Common capital stock			300,000	
Gross paid in and contributed surplus			2,392,522	
Unassigned funds (surplus)			678,850	
Total Capital and Surplus			<u>\$ 3,371,372</u>	
Totals			<u>\$ 375,008,604</u>	

Statement of Income
For the Year Ended December 31, 2019

Premiums and annuity considerations for life and accident and health contracts	\$ -
Net investment income	1,972,292
Amortization of Interest Maintenance Reserve	48,314
Aggregate write ins for miscellaneous income	<u>(358,080,069)</u>
Total	<u>\$ (356,059,463)</u>
General insurance expenses	252,073
Insurance taxes, licenses and fees	95,876
Aggregate write ins for deductions	<u>(116,979,705)</u>
Total	<u>\$ (116,631,756)</u>
Net gain from operations before dividends to policyholders and federal income taxes	(239,427,707)
Dividends to policyholders	<u>-</u>
Net gain from operations after dividends to policyholders and before federal income taxes	\$ (239,427,707)
Federal and foreign income taxes incurred	<u>668,963</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains/(losses)	\$ (240,096,670)
Net realized capital gains/(losses)	<u>(80,580)</u>
Net Income	<u>\$ (240,177,250)</u>

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

	<u>Common</u> <u>Capital Stock</u>	<u>Paid In &</u> <u>Contributed</u> <u>Surplus</u>	<u>Unassigned</u> <u>Funds (Surplus)</u>	<u>Surplus Notes</u>	<u>Total</u>
December 31, 2015	\$ 300,000	\$ 29,700,000	\$ 573,326	\$ -	\$ 30,573,326
Operations 2016 ⁽¹⁾	-	-	1,073,195	-	1,073,195
Operations 2017 ⁽¹⁾	-	-	1,231,756	-	1,231,756
Operations 2018 ^(1,2)	-	-	(520,866)	-	(520,866)
Operations 2019 ^(1,3,4)	-	-	(1,678,561)	-	(1,678,561)
Paid-in Surplus ⁽⁵⁾	-	(27,307,478)	-	-	(27,307,478)
December 31, 2019	<u>\$ 300,000</u>	<u>\$ 2,392,522</u>	<u>\$ 678,850</u>	<u>\$ -</u>	<u>\$ 3,371,372</u>

- (1) Operations is defined as: net income, change in net deferred income tax, change in non-admitted assets, change in asset valuation reserve, dividends to stockholders and aggregate write-ins.
- (2) On September 27, 2018, the Company notified the Department of its intent to pay a \$2.9 million ordinary dividend. The dividend was paid in cash to the Company's parent, DLIC, on October 3, 2018.
- (3) On August 29, 2019, the Company notified the Department of its intent to pay a \$2.4 million ordinary dividend. On October 3, 2018, the Company paid an ordinary cash dividend of \$2,357,411 to DLIC.
- (4) On November 18, 2019, the Company notified the Department of its intent to pay a \$1.3 million extraordinary dividend. On December 13, 2019, the Company paid an extraordinary cash dividend of \$1,335,111 to DLIC.
- (5) On November 18, 2019, the Company notified the Department of its intent to distribute excess capital to DLIC in the form of a return of capital in the amount of \$27.3 million, payable in cash and/or invested assets (marketable securities). The distribution of excess capital was paid in invested assets (marketable securities) amounting to \$24.6 million on December 17, 2019 and in cash amounting to \$2.7 million on December 23, 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

As of December 31, 2019, the Company's sole business purpose is to serve as the reinsurer of DLIC's variable annuity products with no intention to issue new life insurance or annuity products. This reinsurance arrangement has the main purpose of reinsuring hedging risks associated with DLIC's variable annuity business (effective December 31, 2014).

Prior to April 1, 2019, a second reinsurance agreement was in place with DLIC under which the Company reinsured, on an indemnity coinsurance funds-withheld basis, the quota share of risks associated with various fixed index annuity products and associated riders (effective January 1, 2015). This treaty was partially recaptured as of January 1, 2019, and fully recaptured as of April 1, 2019.

Based on the procedures performed and results obtained by INS Consultants, Inc. (INS), the examination team obtained sufficient evidence to support the conclusion that the balance sheet items covered in the actuarial portion of the examination are reasonably stated as of December 31, 2019.

SUBSEQUENT EVENTS

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

Other - COVID-19

The spread of COVID-19 is worldwide, dislocating capital markets and affecting every industry. As of March 31, 2021, 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, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

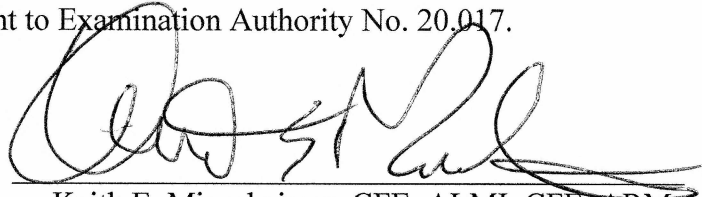


Keith E. Misenheimer, CFE, ALMI, CFE, ARM
Examiner-In-Charge
State of Delaware



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 No. 20,017.



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