

EXAMINATION REPORT
OF
THE GUARDIAN INSURANCE AND ANNUITY COMPANY, INC.
AS OF
DECEMBER 31, 2018

Office of the
Commissioner



Delaware
Department of Insurance

REPORT ON EXAMINATION
OF
THE GUARDIAN INSURANCE AND ANNUITY COMPANY, INC.
AS OF
DECEMBER 31, 2018

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.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

Dated this 11 day of June, 2020

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May 18, 2020

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. 19.022, dated June 5, 2019, an examination has been made of the affairs, financial condition and management of

THE GUARDIAN INSURANCE AND ANNUITY COMPANY

hereinafter referred to as the Company or GIAC and incorporated under the laws of the State of Delaware as a stock company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware. The examination was conducted at the administrative office of the Company located at 10 Hudson Yards, New York, New York 10001. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous regulatory examination of the Company covered the four-year period from January 1, 2012 through December 31, 2015. This examination covered the three-year period from January 1, 2016 through December 31, 2018, and encompasses a

Guardian Insurance and Annuity Company, Inc.

general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2018. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination of the Company was performed as part of the multi-state coordinated examination of the The Guardian Life Insurance Company of America (GLIC). New York is the lead state for the Group. The Company is a direct subsidiary of the GLIC. The examination was conducted concurrently with that of the Company's affiliates and the Delaware affiliate, Park Avenue Life Insurance Company (PALIC). The Companies in the Group and their state of domicile are summarized as follows:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
The Guardian Life Insurance Company of America	64246	NY
Managed DentalGuard Inc.	52556	TX
Managed DentalGuard Inc.	11199	NJ
The Guardian Insurance and Annuity Company	78778	DE
Park Avenue Life Insurance Company	60003	DE
Family Service Life Insurance Company	74004	TX
Sentinel American Life Insurance Company	77119	TX
First Commonwealth of Missouri, Inc.	47716	MO
First Commonwealth Insurance Company	60239	IL
First Commonwealth Limited Health Svc. Co.	11221	IL
First Commonwealth Limited Health Svc. Co. of Michigan	12146	MI
Managed DentalGuard Inc.	14142	OH
Premier Access Insurance Company	60237	CA
Access Dental Plan of Utah, Inc.	15494	UT
Avesis Insurance Incorporated	11163	AZ

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. 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, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, 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 2018 PwC 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 originally incorporated on March 2, 1970, under the laws of the State of Delaware as a stock life insurance company authorized to transact the business of life, health, credit life, credit health, variable annuities and variable life insurance. The Company was founded by GLIC and remains its wholly owned subsidiary. GLIC and its subsidiaries provide financial services throughout the United States including a full range of insurance, investment, securities brokerage, and other financial products and services. Principal products and services include: individual life and disability insurance; group life and health insurance; annuities; mutual funds; retirement related investments and administration; and asset management and securities brokerage.

Historically, GLIC has predominately utilized the Company to market and underwrite variable deferred annuity contracts; fixed deferred and immediate annuity contracts; and variable life insurance policies.

Capitalization

The Company's Certificate of Incorporation authorizes the issuance of 20,000 shares of common stock with a par value of \$125 per share. As of December 31, 2018, the Company had 20,000 common shares issued and outstanding totaling \$2.5 million in common capital stock. All outstanding common shares of the Company are owned by GLIC. As of December 31, 2018, the Company reported gross paid-in and contributed surplus of \$581.5 million.

The Company received the following capital contributions from GLIC during the examination period:

<u>Year</u>	<u>Contributions</u>
2016	\$ 100,000,000
2017	50,000,000
2018	<u>50,000,000</u>
Total	<u>\$ 200,000,000</u>

Dividends

No stockholder dividends were paid by the Company during the examination period.

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the business and affairs of the Company must be exercised by, or under the authority of, its Board of Directors (Board). The Company's bylaws require its Board consist of not less than three members. Directors are elected annually by the sole shareholder for a term of one year. Directors duly elected and serving as of December 31, 2018, are as follows:

<u>Name</u>	<u>Title</u>
Gordon Griffith Dinsmore Jr	Senior Vice President of Berkshire The Guardian Life Insurance Company of America
Michael Nicholas Ferik	EVP and Chief Financial Officer The Guardian Life Insurance Company of America
Michael Slipowitz	Senior Vice President, Corporate Chief Actuary The Guardian Life Insurance Company of America

Officers

Officers were appointed in accordance with the Company's bylaws during the period under examination. The bylaws require appointment of the following officers: a President, a Vice President, a Secretary and a Treasurer. The Board may appoint other officers and agents at

its discretion. Any number of offices may be held by the same person. The primary officers of the Company as required by the bylaws and as reported as of December 31, 2018, are as follows:

<u>Name</u>	<u>Title</u>
Gordon Griffith Dinsmore Jr	President
Robert Carlos Ecker	SVP, Chief Financial Officer
Sonya Lee-Anne Crosswell	Corporate Secretary
Jeffrey Joseph Butscher	VP, Chief Compliance Officer & Rule 38a-1 Chief Compliance Officer
Richard Thomas Potter Jr	SVP, Counsel & Assistant Corporate Secretary
Michael Slipowitz	SVP, Corporate Chief Actuary
Walter R. Skinner	VP and Treasurer

Corporate Records

The recorded minutes of the shareholder 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.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. The Company is a wholly owned subsidiary of GLIC, which is a mutual insurance company that is wholly owned by its policyholders. The following is an abbreviated organizational chart depicting the Company's primary relationships with affiliated entities within the holding company system as of December 31, 2018.

Guardian Insurance and Annuity Company, Inc.

<u>Company</u>	<u>Domicile</u>	<u>% Own</u>
The Guardian Life Insurance Company of America	New York	
The Guardian Insurance & Annuity Company, Inc.	Delaware	100%
Park Avenue Securities, LLC	Delaware	100%
Hanover Square Funding, LLC	Delaware	100%

The following is a brief description of the Company's wholly owned subsidiaries and affiliated companies with significant intercompany arrangements:

Park Avenue Securities, LLC (PAS) is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation . PAS is also a registered investment adviser under the Investment Advisers Act of 1940. Effective March 1, 2015, PAS assumed the role of distributor and principal underwriter of the Company's variable products in accordance with an affiliated agreement. This role was previously held by Guardian Investor Services, LLC.

Hanover Square Funding, LLC (HSF) was founded in 2014 to facilitate a new program designed to assist with the sale and transition of certain GLIC general agencies to successors. HSF is used by GLIC to provide loans to entities established as a Corporation or Limited Liability Company for the purpose of acquiring a general agency within GLIC exclusive agent workforce.

Agreements with Affiliates

Tax Allocation Agreement

Effective December 31, 2017, and covering all tax years after, the Company became party to a Tax Sharing Agreement between GLIC and its subsidiaries. In accordance with the agreement, each qualifying member of the group computes its tax provision and liability on a separate return basis, but may, where applicable, recognize benefits of net operating losses and

Guardian Insurance and Annuity Company, Inc.

capital losses utilized in the consolidated group. Subsidiary tax liabilities/benefits are settled subsequent to the filing of the federal income tax return.

General Operating Expense Agreement

Effective December 31, 2007, the Company entered into an Amended and Restated Agreement for Services and Reimbursement Agreement with GLIC and its subsidiaries. The agreement supersedes all prior agreements for the provision of services and reimbursement between GLIC and all other parties to the agreement. In accordance with the agreement, GLIC provides office space, furniture, equipment, building utilities, clerical staff, employee benefits and any other services including but not limited to policy services, consulting services and advisory services. The agreement authorizes GLIC to enter other agreements to provide assets or services on behalf of all parties. Expenses are allocated to the parties based on a direct basis or through an allocation system developed by GLIC's cost accounting department utilizing assets, head count or overhead information. The agreement requires settlement within forty-five days following the end of each quarter and permits payment by offset. As of December 31, 2018, the Company reported \$83,709,077 as an amount due to GLIC.

Commission Based Selling Agreement

Effective March 31, 2015, the Company and PAS entered into a Distribution and Service Agreement. In accordance with the agreement, PAS was appointed as the distributor and principal underwriter for the sale of the Company's variable insurance products. The agreement authorizes PAS to enter into separate agreements with unaffiliated broker-dealers to participate in the distribution of the Company's variable insurance products. As of December 31, 2018, GIAC paid commissions to PAS, which amounted to \$ 18,057,091. During the examination period, the Company made a \$6 million capital contribution to PAS.

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Administrative Services Agreement

Effective December 1, 2015, the Company and RS Funds Distributor, LLC (RSFD) entered a Services Agreement related to certain series of RS Funds. Thereafter, RSFD began serving as the sole distributor of the RS Funds, and Park Avenue Institutional Advisers, LLC (PAIA) began serving as the sub-adviser to certain RS Funds effective June 1, 2014, and May 1, 2015, respectively. This agreement was novated on July 13, 2016. On July 29, 2016, GLIC sold its equity investment in RS Investments Management Co. LLC (RS Investments) to Victory Capital Management Inc. (Victory Capital), an unaffiliated third party. As a result of this sale, each of the RS Funds was reorganized into a corresponding newly-formed fund within the Victory Capital family of funds. In connection with this sale, RS Investments and RSFD transferred by novation all of its rights and obligations to Victory Capital, and on that date a participation agreement was entered into by the Company and Victory Capital.

Revenue Sharing Agreement

Effective July 1, 2018, the Company entered into a revenue sharing agreement with PAIA whereby PAIA allocates revenue earned to GIAC for the Guardian Variable Products Trust Funds that are offered through GIAC's variable insurance products separate accounts. For the year ended December 31, 2018, such revenue amounted to \$1,877,707.

Line of Credit

Effective May 1, 2017, the Company (Borrower) amended its revolving line of credit agreement with GLIC (Lender) Existing Letter Agreement dated December 3, 2015, to increase the amount of the line of credit from \$350,000,000 to \$750,000,000. As of the examination date, there were no outstanding line of credit draws.

Effective March 1, 2016, the Company entered into a revolving Line of Credit agreement with HSF for \$50,000,000. As of the exam date, the amount of draws on the line of credit amounted to \$23,900,000 and is included in “Cash, cash equivalents and short-term investments” in the statutory balance sheet.

TERRITORY AND PLAN OF OPERATION

Products

As of December 31, 2018, the Company was licensed to conduct life and health insurance business in all fifty States and the District of Columbia. The Company’s primary business is the sale of individual annuity contracts. The following is a summary of the Company’s 2018 gross premium by product class:

<u>Product Class</u>	<u>2018 Total Premium and Annuity Considerations</u>	<u>% of Total Premium and Annuity Considerations</u>
Individual Annuities	\$ 463,705,043	65.34%
Individual Life	31,398,106	4.42%
Group Annuity	4,957,127	0.70%
Group Pension 401K *	208,514,208	29.38%
Group Life	1,133,231	0.16%
Total	<u>\$ 709,707,715</u>	<u>100.00%</u>

* Transferred as part of Ameritas Novation

The Company’s total gross premiums are primarily attributable to individual annuities consisting of fixed and variable annuity products. The Company’s fixed annuity premiums consist primarily of single premium deferred annuities, single premium immediate annuities and deferred income annuities.

The Company issued various guaranteed living benefit riders associated with certain of its variable annuity contracts until February 2017, including: Guaranteed Minimum Withdrawal

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Benefits (GMWB), Guaranteed Minimum Income Benefit and Guaranteed Minimum Accumulation Benefit. In recent years, the primary living benefit rider marketed and sold has been the GMWB rider, which was introduced in April of 2005. For the year-ended December 31, 2018, \$44,502,408 of variable annuity products were sold, which also included a renewal premium for GMWB rider. Reserves associated with the living benefit riders are held in the Company's General Account as miscellaneous reserves.

Variable insurance contracts are deemed to be securities under federal law and sales of these products are subject to regulation by the Securities and Exchange Commission and FINRA. The majority of the separate accounts are unit investment trusts registered under the Investment Company Act of 1940. Proceeds from the sale of variable products are invested through these separate accounts into certain mutual funds specified by the contract holders. The separate accounts invest in various registered mutual funds and non-registered collective investment funds managed by an affiliated company, as well as unaffiliated third-parties.

In addition to broker-dealer originated sales, the Company may also market and sell certain products through GLIC's exclusive agent workforce. GLIC's distribution model for individual products is focused on career agents, supervised by general agents and career development managers in 50 general agencies and GLIC-managed agencies. This is a critical element of GLIC's business model. GLIC's career agent system consists of over 2,500 active agents as of December 31, 2018, and enjoys one of the highest retention rates in the industry. As of year-end 2018, each general agent operation has exclusive affiliation with GLIC, although many do not advertise their corporate name as a GLIC agency. General agents may sell a product of another company if a product is not offered by GLIC or one of its subsidiaries

Product Distribution

The Company's variable products are predominately sold by either registered sales representatives of its affiliated broker-dealer or registered sales representatives of unaffiliated broker-dealer firms that have entered into sales agreements with the Company or its affiliated principal distributor. Meanwhile, fixed annuity products are distributed through affiliated and unaffiliated broker-dealers and insurance-licensed entities. Affiliated broker-dealer sales representatives are also licensed insurance agents within GLIC's exclusive agent workforce. The following is a summary of the Company's individual annuity considerations by distribution channel for the year-ended December 31, 2018:

	<u>Variable Annuity</u>	<u>Fixed Annuity</u>	<u>Total Individual Annuity</u>
Outside Channel (Fidelity, Charles Schwab & TD Ameritrade)	-	\$ 316,115,921	\$ 316,115,921
PAS Broker/Dealer	\$ 30,507,214	83,554,562	114,061,776
Outside Broker/Dealer	<u>13,995,194</u>	<u>29,198,208</u>	<u>43,193,402</u>
Total Guardian Channel thru Wholesaling	44,502,408	112,752,770	157,255,178
Total	<u>\$ 44,502,408</u>	<u>\$ 428,868,691</u>	<u>\$ 473,371,099</u>

REINSURANCE

Non-Affiliated Reinsurance

Guaranteed Lifetime Withdrawal Benefit Riders written through December 2008 are reinsured under a 90% coinsurance agreement with Swiss Re.

Certain Guaranteed Minimum Death Benefit Riders issued through December 2009 are 100% reinsured with either Munich American Reassurance Company or Chubb Tempest Life Reinsurance, LTD

Guardian Insurance and Annuity Company, Inc.

Guaranteed Minimum Income Benefit Riders are 100% reinsured with Chubb Tempest Life Insurance, LTD. Earning Benefit Riders issued through December 2009 are 100% reinsured with Chubb Tempest Life Reinsurance, LTD.

Affiliated Reinsurance

Through various reinsurance agreements which are predominately written on a Coinsurance and Modified Coinsurance basis the Company cedes 90% of its life products on a first dollar basis to Guardian Life Insurance Company.

In addition, there are various agreements written on a Yearly Renewal Term basis where the Company ceded amounts in excess of their maximum retention limits of \$1,000,000 on its life products after retaining the first dollar quota share amount to GLIC.

Ameritas Cession 401K Business

Effective September of 2016, the Company entered into an indemnity reinsurance agreement with Ameritas Life Insurance Company (Ameritas). Under the terms of the agreement the Company ceded 100% of its 401(k) business to Ameritas with the provision that once all required regulatory approvals had been received this business was to be novated to Ameritas. Effective August 31, 2018, the Company entered into a recapture and assumption reinsurance agreement with Ameritas and Ameritas Life Insurance Company of New York (Ameritas NY). Under this agreement the Company recaptured the 401(k) business related to New York policyholders from Ameritas and novated all the NY Contracts to Ameritas NY, on the assumption effective date, November 30, 2018. The 401(k) business excluding the business related to the NY policyholders were novated to Ameritas on August 31, 2018, September 28, 2018, November 30, 2018, March 29, 2019 and November 30, 2019. These transactions were

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approved by the Department. All Group 401(k) business was fully novated to Ameritas as of November 29, 2019.

FINANCIAL STATEMENTS

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

- Statement of Assets and Liabilities as of December 31, 2018
- Statement of Operations for the year ended December 31, 2018
- Statement of Capital and Surplus for the year ended December 31, 2018
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2015 to December 31, 2018

Statement of Assets
As of December 31, 2018

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets 2018	Notes
Bonds	\$ 3,225,919,910	\$ -	\$ 3,225,919,910	
Mortgage Loans- First leins	516,259,658	-	516,259,658	
Cash, (\$9,331,655) cash equivalents \$257,656,629 and short term				
Investments \$ 31,894,538	280,219,514	-	280,219,514	
Contract loans	79,623,619	-	79,623,619	
Other Invested Assets	108,317,812	-	108,317,812	
Receivables for securities	48,568	-	48,568	
Subtotals, cash and invested assets	<u>\$ 4,210,389,081</u>	<u>\$ -</u>	<u>\$ 4,210,389,081</u>	
Investment income due and accrued	34,591,400	-	34,591,400	
Uncollected premiums and agents' balances	(2,227,666)	1,802	(2,229,468)	
Deferred premiums	86,466	-	86,466	
Accrued retrospective premiums	-	-	-	
Amounts recoverable from reinsurers	235,800	-	235,800	
Funds held by or deposited with reinsured companies	64,151	-	64,151	
Other amounts receivable under reinsurance contracts	23,543	-	23,543	
Current federal and foreign income tax recoverable and interest thereon	14,306,876	-	14,306,876	
Net deferred tax asset	23,294,181	8,700,744	14,593,437	
Guaranty funds receivable or on deposit	11,870	-	11,870	
Receivables from parent; subsidiaries and affiliates	2,714	-	2,714	
Health care and other amounts receivable	119,963	-	119,963	
Aggregate write-ins for other than invested assets	<u>16,214,903</u>	<u>7,604,279</u>	<u>8,610,624</u>	
Total Assets Excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>\$ 4,297,113,282</u>	<u>\$ 16,306,825</u>	<u>\$ 4,280,806,457</u>	
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>9,027,342,741</u>	<u>-</u>	<u>9,027,342,741</u>	1
Total Assets	<u><u>\$ 13,324,456,023</u></u>	<u><u>\$ 16,306,825</u></u>	<u><u>\$ 13,308,149,198</u></u>	

Statement of Liabilities, Capital and Surplus
As of December 31, 2018

	<u>2018</u>	<u>Notes</u>
Aggregate reserve for life contracts	\$ 3,787,336,414	2
Liability for deposit-type contracts	152,951,670	2
Contract claims: Life	1,278,147	2
Premiums and annuity considerations for life and accident and health contracts received in advance	6,022	
Contract liabilities not included elsewhere: Other amounts payable on reinsurance, including \$4,306,457 ceded	4,306,457	
Commissions to agents due or accrued-life contracts	3,721,455	
General expenses due or accrued	56,249	
Transfers to Separate Accounts due or accrued (net)	(178,845,078)	1
Taxes, licenses, and fees (excluding federal and foreign income tax)	835,711	
Unearned Investment Income	406,157	
Amounts withheld or retained by company as agent or trustee	1,929,648	
Remittances and items not allocated	354,090	
Miscellaneous liabilities: Asset Valuation Reserve	39,295,119	
Payable to parent, subsidiaries and affiliates	5,558,214	
Payable for securities	7,169,255	
Aggregate write-ins for liabilities	2,658,253	
Total liabilities excluding protected cell liabilities	<u>\$ 3,829,017,783</u>	
From Separate Accounts Statement	<u>9,023,818,312</u>	1
Total Liabilities	<u>\$ 12,852,836,095</u>	
Common capital stock	\$ 2,500,000	
Preferred capital stock		
Gross paid in and contributed surplus	581,500,000	
Unassigned funds (surplus)	(128,686,897)	
Surplus (including \$3,524,429 in Separate Account Statement)	<u>452,813,103</u>	
Total Surplus	<u>\$ 455,313,103</u>	
Totals of Liabilities & Surplus	<u><u>\$ 13,308,149,198</u></u>	

Statement of Income
For the Year Ended December 31, 2018

	<u>2018</u>
Premiums and annuity considerations	\$ 2,154,013,301
Net investment income	136,235,306
Amortization of Interest Maintenance Reserve	(576,743)
Separate Accounts net gain from operations	(349,913)
Commissions and expense allowances on reinsurance ceded	32,702,604
Reserve adjustments on reinsurance ceded	(1,870,577,304)
Miscellaneous Income	276,422,435
Aggregate write-ins for miscellaneous income	(17,103,910)
Total	<u>\$ 710,765,776</u>
Death Benefits	\$ 11,389,043
Annuity benefits	472,487,832
Disability benefits and benefits under accident and health contracts	37,246
Surrender benefits and withdraws for life contracts	680,172,796
Interest and adjustments on contract or deposit-type contract funds	4,751,820
Increase in aggregate reserves	358,528,564
Total	<u>\$ 1,527,367,301</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	\$ 57,136,653
General insurance expenses	71,737,042
Insurance taxes, licenses, and fees, excluding federal income taxes	8,658,645
Increase in loading on deferred and uncollected premiums	(3,006)
Net transfers to or (from) Separate Accounts net of reinsurance	(1,082,306,292)
Aggregate write-ins for deductions	293,304
Totals	<u>\$ 582,883,647</u>
Net gain from operations before dividends to policyholders and federal income taxes	<u>\$ 127,882,129</u>
Net gain from operations after dividends to policyholders and before federal income taxes	<u>\$ 127,882,129</u>
Federal and foreign income taxes incurred (excluding tax on capital gains)	<u>(25,688,833)</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ 153,570,962
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$655,554 (excluding taxes of \$(840,973) transferred to the IMR)	(5,682,192)
Net Income	<u><u>\$ 147,888,770</u></u>

**Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2015 to December 31, 2018**

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Funds (Surplus)	Total
12/31/2015	\$ 2,500,000	\$ 381,500,000	\$ (124,237,914)	\$ 259,762,088
12/31/2016 (1)		100,000,000		99,999,998
12/31/2016 (2)			(99,379,283)	(99,379,283)
12/31/2017 (1)		50,000,000		50,000,000
12/31/2017 (2)			(160,339)	(160,339)
12/31/2018 (1)		50,000,000		50,000,000
12/31/2018 (2)			95,090,639	95,090,639
	<u>\$ 2,500,000</u>	<u>\$ 581,500,000</u>	<u>\$ (128,686,897)</u>	<u>\$ 455,313,103</u>

- (1) Changes in Capital & Surplus for each year may include: change in net unrealized capital gains (losses), change in net unrealized foreign exchange capital gain (loss), change in net deferred income tax, change in non-admitted assets, change in Asset Valuation Reserve, other changes in surplus in Separate Account Statement and Aggregate write-ins for gains and losses in surplus.
- (2) For the year then ended, the Company received a dividend from GLIC that was recorded as additional paid-in capital.

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:

Separate Account Statement Assets	\$9,027,342,740
Separate Account Statement Liabilities	\$9,023,818,312
Transfers to Separate Accounts due or accrued (net)	\$(178,845,078)

The Company has seventeen insurance separate accounts to support certain variable and group annuity and life insurance products that it sells. The majority of the Company's separate accounts are unit investment trusts registered under the Investment Company Act of 1940. For the year ended December 31, 2018, the Company reported separate account assets and liabilities from the following product lines:

Product	<u>Legally Insulated Assets</u>
Individual variable assets	\$ 8,444,448,867
Variable life products	464,887,854
Group Variable Annuities/Group Variable Funding Agreements for Qualified Retirements Plans	<u>119,006,019</u>
Total	\$ 9,027,342,740

The assets and liabilities of the separate accounts are clearly identified and distinct from the other assets and liabilities of the Company. The assets of the separate accounts are not charged with liabilities arising out of any other business of the Company. However, certain obligations of the separate accounts, including the promise to make annuity and death benefit payments, remain obligations of the Company. Assets and liabilities of the separate accounts are stated primarily at the market value of the underlying investments and corresponding contract owner obligations

Note 2:

Aggregate Reserve for Life Contracts	\$3,787,336,414
Liability for Deposit-type Contracts	152,951,670
Contract Claims – Life Contracts	1,278,147

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2018. The examination analysis of life and accident and health reserves was conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including *NAIC Accounting Practices and Procedures Manual*, Statements of Statutory Accounting Principle No. 51, 52, and 54 (SSAPs No. 51, 52, and 54).

SUBSEQUENT EVENTS

Subsequent to the examination date, PAS and HSF ownership was transferred to GLIC.

During March of 2020, the United States experienced a pandemic related to the COVID-19 virus. As of the date of this report, the Company has not been able to quantify the effects of

Guardian Insurance and Annuity Company, Inc.

this pandemic on its current or future financial statements. As of the date of this report, the Company was fully operational and was providing services to its policyholders.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no recommendations contained in the prior examination report issued by the Department as of December 31, 2015.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this 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 Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



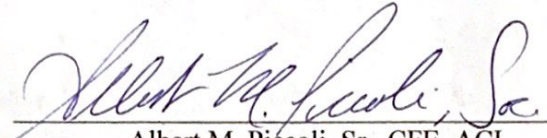
Albert Piccoli, CFE
Examiner In-Charge
State of Delaware



Anthony Cardone, CPA, CFE
Supervising Examiner
State of Delaware

Guardian Insurance and Annuity Company, Inc.

I, Albert M. Piccoli, Sr., 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 19.022.


Albert M. Piccoli, Sr., CFE, ACI