REPORT ON EXAMINATION

OF THE

GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

AS OF

DECEMBER 31, 2011

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2011 of the

GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

is a true and correct copy of the document filed with this Department.

Attest By: ______________________

Date: May 17, 2013

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 17th day of May, 2013.

____
Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT ON EXAMINATION

OF THE

GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

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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.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 17th day of May, 2013

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TABLE OF CONTENTS

January 25, 2013

SALUTATION

Honorable Karen Weldin-Stewart-CIR-ML Commissioner
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to Certificate of Authority No. 12.005, issued February 23, 2012 by the Delaware Department of Insurance, an examination has been made of the affairs, financial condition and management of the

GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

hereinafter referred to as “Company” or “GIAC”, 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. The examination was conducted at the principal administrative offices of the Company located at 7 Hanover Square, New York, NY. The examination report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination was as of December 31, 2007. This examination covers the period from January 1, 2008, through December 31, 2011, and encompasses a 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 at December 31, 2011. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook (the "NAIC Handbook"). The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing current and prospective risks to which the Company is exposed and evaluating its system controls and procedures used to mitigate those risks. The examination also includes an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report only addresses regulatory information revealed by the examination process.

During the course of this examination, consideration was given to work performed by the Company's Internal Audit Department ("IAD") and by the external accounting firm, PricewaterhouseCoopers LLP ("PwC"). Certain auditor work papers have been incorporated into the examiners' work papers and have been utilized in determining the scope and areas of emphasis in conducting the examination.

The examination was conducted concurrently with that of affiliate Park Avenue Life Insurance Company (“PALIC”), also a Delaware domestic insurance company. Separate reports of examination were filed for each company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings noted during the performance of this examination.

SUBSEQUENT EVENTS

Effective September 1, 2012, GIAC entered into a revolving line of credit agreement with Guardian Life Insurance Company (“GLIC”) for $100 million. As of December 31, 2012, the total amount drawn on the line of credit amounted to $20 million.

COMPANY HISTORY

The Company was incorporated by GLIC 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.

During the period under examination, gross paid-in and contributed surplus increased by $2,000,000 from $172,500,000 in 2007 to $174,500,000 in 2010. The increase for the period is illustrated in the following schedule:

Ending Balance as of December 31, 2007	$172,500,000
Surplus contribution from GLIC – 2008	22,000,000

Return of Capital to GLIC - 2010	(20,000,000)
Ending Balance as of December 31, 2011	$174,500,000

As shown above, on December 31, 2008, GLIC contributed $22,000,000 to GIAC. On January 7, 2010, GIAC distributed $20,000,000 back to GLIC as a return of capital, leaving a balance of $174,500,000 in paid-in and contributed surplus at December 31, 2011.

CORPORATE RECORDS

The minutes of the Board of Directors (Board) and Shareholders were reviewed for the period under examination. The recorded minutes documented activities and transactions of the Company.

There are two Board committees of GIAC, The Executive Committee and The Investment Committee. The Audit and Risk Committee, which exists at the parent company level, (appointed as Audit Committee for GIAC), provide oversight of GLIC and the activities of the enterprise as a whole.

Copies of the Form B Holding Company Registration Statements filed with the Delaware Department of Insurance during the period under examination were reviewed. Per the review, the Company has complied with the provisions of 18 Del. Admin. Code 1801.

MANAGEMENT AND CONTROL

The business affairs and corporate activities are vested in a Board that shall consist of not less than three members. The directors are elected for a term of one year at the annual stockholder's meeting which is held not less than 30 nor more than 120 days after the end of the last preceding fiscal year.

The bylaws provide that the Board may, by resolution passed by a majority, designate one or more committees that shall consist of two or more Directors. The Board has designated an Executive Committee and an Investment Committee to oversee Company operations.

The Executive Committee has any and all powers of the Board during the interval between Board meetings. The Investment Committee has general control and supervision over the financial affairs and accounts of the Company. The bylaws provide that the findings of the committees shall be reported to the Board.

The Board and Officers, duly elected in accordance with the bylaws and serving as of December 31, 2011, are as follows:

Director	Principal Occupation
Robert Ernest Broatch	Executive Vice President & Chief Financial Officer, GLIC
Douglas Scott Dolfi	Executive Vice President & Chief Operating Officer, GLIC
Margaret Wolin Skinner	Executive Vice President & Chief Distribution Officer, GLIC
Michael Slipowitz	Senior Vice President & Corporate Chief Actuary, GLIC

Officer	Title
Douglas Scott Dolfi	President
Tracy Leon Rich	Executive Vice President, General Counsel & Corporate Secretary
Thomas George Sorell	Executive Vice President & Chief Investment Officer
Margaret Wolin Skinner	Executive Vice President & Chief Distribution Officer
Richard Thomas Potter, Jr.	Senior Vice President & Counsel
Michael Slipowitz	Senior Vice President & Corporate Chief Actuary
Linda Ellen Senker	Second Vice President & Chief Compliance Officer
Gordon Ivor Bailey	Vice President & Chief Financial Officer

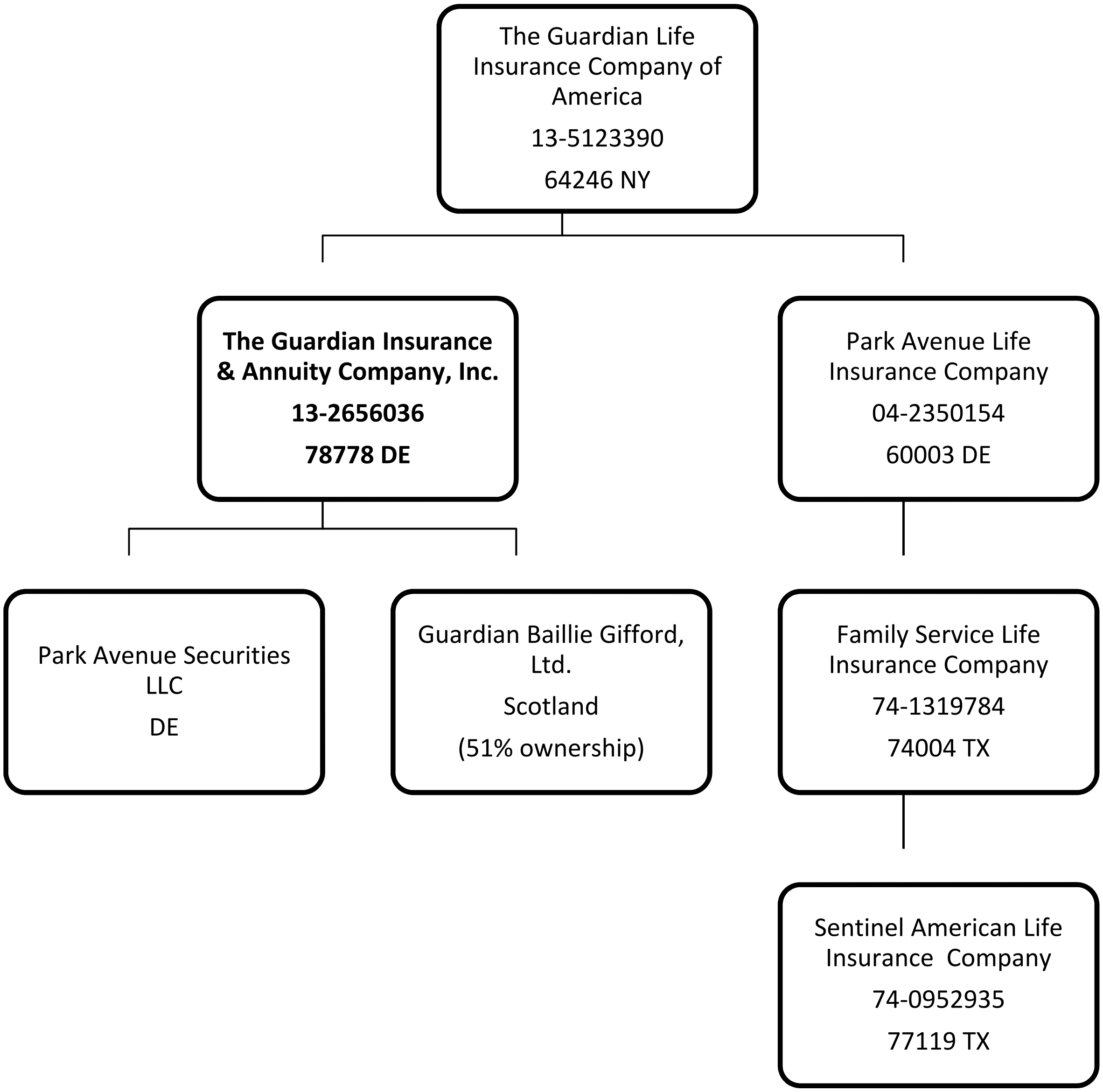
Executive Committee	Investment Committee

Robert Ernest Broatch	Robert Ernest Broatch
Joseph Anthony Caruso	Douglas Scott Dolfi
Douglas Scott Dolfi	Margaret Wolin Skinner

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined by 18 Del. C. §50, "Insurance Holding Companies". The Company operates under the immediate and ultimate controlling parent, GLIC, which is domiciled in the State of New York and is the fifth largest mutual life insurance company in America with consolidated statutory admitted assets of $35.13 billion, liabilities of $30.557 billion and policyholder surplus of $4.573 billion as of December 31, 2011. The Company is part of a consolidated Holding Company Registration Statement filing made in the State of Delaware by GLIC.

The following is an organizational chart provided by the Company as of December 31, 2011:


The Guardian Life Insurance Company of America
13-5123390
64246 NY
The Guardian Insurance & Annuity Company, Inc.
13-2656036
78778 DE
Park Avenue Life Insurance Company
04-2350154
60003 DE
Park Avenue Securities LLC
DE
Guardian Baillie Gifford, Ltd.
Scotland
(51% ownership)
Family Service Life Insurance Company
74-1319784
74004 TX
Sentinel American Life Insurance Company
74-0952935
77119 TX

MANAGEMENT AND SERVICE AGREEMENTS

Distribution and Service Agreement

The Company entered into a distribution and service agreement with affiliate Guardian Investors Service LLC ("GIS") effective August 23, 1985. The agreement appoints GIS as the distributor and underwriter for the sale of the GIAC's variable insurance products. GIS also provides investment advisory services to various affiliated diversified open-ended management companies sponsored by GLIC and GIAC. This agreement was submitted to and approved by the Delaware Department of Insurance. Management indicated that this agreement is still in force at December 31, 2011; however, no charges were incurred during the examination period related to this agreement since GIAC no longer offers the products.

Tax Allocation Agreement

The Company entered into a federal tax consolidation agreement with GLIC effective July 19, 2001, covering all tax years after December 31, 1982. The tax liability is allocated to the members of the group in the ratio that each member's separate return tax liability for the year bears to the sum of the separate return tax liabilities of all the members. However, the tax charge shall not exceed the amount that would be paid had the member filed on an individual basis. This agreement was submitted to and approved by the Delaware Department of Insurance.

Amended and Restated Agreement for Services and Reimbursement

The Company entered into an amended and restated agreement for services and reimbursement with GLIC effective December 31, 2007. The agreement is an expense sharing agreement pursuant to which GLIC provides office space, furniture, equipment, heat and light, clerical staff, and employee benefits and any other services as requested by the Company. Expenses are allocated to the Company on a direct basis or through an allocation system developed by GLIC's cost accounting department utilizing assets, head count or overhead information. Settlement occurs forty-five (45) days following the end of each quarter. This agreement was submitted to and approved by the Delaware Department of Insurance. The 2011 annual statement Notes to the Financial Statements indicates that the Company incurred $118,469,949 in charges related to this contract.

Administrative Services Agreement

The Company entered into an administrative services agreement with affiliates Guardian Investors Services LLC ("GIS") and RS Investments, LLC ("RS") effective December 31, 2006. The agreement provides fee income to GIAC calculated based on the monthly/quarterly average assets of the affiliated mutual funds' participation within GIAC's variable insurance products separate accounts. This 2006 agreement was replaced by a similar agreement effective March 1, 2010, whereby GIS will provide for payment to the Company for administrative services for series of RS Investment Trust, RS Variable Products Trust and Gabelli Capital Series Funds, Inc. made available from time to time as allocation options through separate accounts established by the Company for individual and group variable annuity contracts, variable life insurance policies and/or group variable funding agreements issued by the Company. This agreement was submitted to and approved by the Delaware Department of Insurance. The 2011 annual statement Notes to the Financial Statements indicates that the Company earned $3,564,156 in fee income related to this contract.

Amended and Restated Agreement for Services and Reimbursement

The Company entered into an amended and restated agreement for services and reimbursement with affiliate GIS effective March 1, 2010. Pursuant to this agreement, GIS provides for administrative and distribution services to the RS International Growth Fund and RS

Emerging Markets Fund (the Funds), whose sole investment sub-advisor is Guardian Baillie Gifford Ltd ("GBG"). For each year during which the Company receives a dividend from GBG, the Company will reimburse GIS for dividends attributable to shares of the Funds that are not offered through the separate accounts and for which the Company does not provide administrative services. The amount of such reimbursement is calculated based on the average daily net assets of the Funds for the periods during which earnings have been accumulated that support the payment of such dividend or dividends. This agreement was submitted to and approved by the Delaware Department of Insurance. The 2011 annual statement Notes to the Financial Statements indicates that dividends received from GIS amounted to $4,864,699.

Broker-Dealer Supervisory and Service Agreement

Effective April 15, 1999, the Company entered into a broker-dealer supervisory and service agreement with affiliates GIS and Park Avenue Securities, LLC ("PAS"), a registered broker-dealer with the Securities and Exchange Commission ("SEC"). Pursuant to this agreement, GIAC authorizes PAS's registered representatives ("Representatives") who are also insurance agents, to solicit and sell certain Insurance and Annuity Contracts (the "Plans") on behalf of GIAC. GIAC appointed GIS as the Distributor of the Plans and has agreed that GIS is to be responsible for the training and supervision of said Representatives of PAS. Both GIAC and GIS have agreed to have PAS provide certain administrative services to facilitate solicitation for and sales of the Plans. Supervisory and service fees payable to PAS and commissions payable to the Representatives in connection with the Plans are paid by GIAC in accordance with the terms of the agreement. The agreement was amended on September 1, 2004 to authorize Representatives of PAS to sell group variable annuity contracts such as the 401K and Guardian Advantage Plans. Commissions paid to PAS by GIAC in 2011 related to this selling agreement was approximately

$44.8 million.

Custodial agreement

The Company entered into a Custody Agreement with Chase Manhattan Bank ("Chase") effective December 11, 1997. Chase agrees to act as custodian over the Company's assets in exchange for a fee as structured in the agreement.

FIDELITY BONDS AND OTHER INSURANCE

The Company has no fidelity bond or insurance coverage of its own. Instead, the Company is a named insured on the GLIC policies with the following coverage: directors and officers liability, professional liability, employment practices liability, fiduciary liability, fidelity/comprehensive crime, surety bonds, property, general liability, automobile, workers compensation, umbrella and excess umbrella.

GLIC allocates a portion of the cost of such insurance coverage to the Company, which is included in the periodic payments to GLIC. According to the 2011 annual statement, Exhibit 2, total expenses related to the Company's allocated cost of insurance was $802,347.

As of December 31, 2011, GLIC has fidelity coverage of $7,500,000 with a deductible of $500,000, which exceeds the NAIC suggested minimum fidelity coverage for GLIC and GIAC of $5,750,000 and $3,300,000, respectively.

PENSION AND OTHER EMPLOYEE BENEFIT PLANS

The Company has no defined benefit plan. GLIC, however, has a defined benefit plan and allocates a portion of the cost to the Company, which is included in the periodic payments to GLIC.

The Company has no post-employment benefits or compensated absences. GLIC, however, offers post-employment benefits and compensated absences and allocates a portion of the cost to the Company, which is included in the periodic payments to GLIC. The Company has no multi-employer plans and no consolidated/holding company plans.

GLIC bills the Company for all compensation and related employee benefits for those employees of GLIC who are engaged in the Company's business. According to the 2011 annual statement, Exhibit 2, total expenses related to the Company's allocated cost of salaries and contributions for employee benefit plans were $63,218,362 and $9,513,715, respectively.

TERRITORY AND PLAN OF OPERATION

At December 31, 2011, the Company was licensed to conduct life, health and annuity business in all fifty states and the District of Columbia.

The Company's primary business is the sale of variable deferred annuity contracts and variable life insurance policies. For variable products, other than 401(k) products, contracts are sold by insurance agents who are licensed by GIAC and are either registered representatives of PAS, or of other broker-dealer firms that have entered into sales agreements with GIAC. The Company's general agency distribution system is used for the sale of other products and policies. Since October 2002, the Company and GLIC stopped selling Group Pension business but continued to service existing pension plans. In 2004, the Company re-started selling Group Pension business by contracting with Distribution Partners of Dublin, Ohio ("DP"), an exclusive wholesaler of GIAC's 401k Advantage Group Variable Annuity Product. Effective August 2008, GIAC began using a 401k wholesaling force and at year-end 2011, was using fifteen 401k wholesalers. The Company also markets its services through GLIC's exclusive agent workforce.

The Company offers fixed and variable annuities on an individual or group basis under plans that are categorized as tax qualified or non-tax qualified in accordance with the Internal Revenue Code. The Company has issued fixed and variable annuities since 1971 and variable life products since 1985. In 1993, the Company began to offer policies under a new 10-year term specialty life program but discontinued sales of this product in 1998. All policies are issued on a non-participating basis.

The sale of other products and policies is generated by the Company's general agency distribution system, which is primarily the agency force of GLIC. GLIC's agency force consists of authorized agents and unaffiliated broker/dealers.

The Company has established various separate accounts primarily to support the variable annuity and life insurance products it offers. 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 in certain mutual funds specified by the contract holders.

Variable annuities, which have been deemed to be securities under federal law and their selling entities (brokers/dealers) are subject to regulation by the Securities and Exchange Commission and the National Association of Securities Dealers.

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed annual statements and covers the five preceding years:

Year	Separate Account Admitted Assets	General Account Admitted Assets	Capital & Surplus	Premiums & Annuity Considerations	Net Income
2011	$8,159,983,228	$1,975,083,302	$253,781,536	$1,531,149,434	$ 189,722
2010	8,084,183,884	1,988,354,778	241,179,625	1,116,383,585	15,885,686
2009	6,993,751,443	2,029,170,895	236,200,837	1,268,182,132	9,899,160
2008	5,387,887,654	2,114,821,360	212,558,440	941,132,426	(35,097,365)
2007	8,337,821,353	2,065,113,482	244,673,931	1,190,116,679	19,993,416

Since the prior examination as of December 31, 2007, the Company's financial results were as follows:

- 2.13% decrease in separate account admitted assets
- 4.36% decrease in general account admitted assets
- 3.72% increase in capital and surplus
- 28.66% increase in premiums and annuity considerations
- 99.05% decrease in net income

As GIAC's business is principally related to variable insurance products, the Company's assets are primarily in separate account assets. The decrease in separate account assets was primarily due an unfavorable investment market and the transfer of Separate Account I, "Guardian Life Employee Incentive Saving Plan", to a third party.

The slight decrease in general account assets is primarily attributable to unfavorable investment market conditions during 2007 and 2008.

Capital and surplus increased moderately given the current economic conditions. With the exception of 2008, the Company has remained profitable over the examination period. The limited growth is primarily attributable to investment market conditions, reserve adjustments on reinsurance ceded attributable to MODCO reserve change and increase in guaranteed benefits.

The premiums and annuity considerations increase over the examination period was limited significantly due to competitive market conditions. The 2011 increase, however, was primarily due to the strong sales in variable annuity contracts.

Net income for each year over the examination period was positive with the exception of 2008. The primarily reason that net income had considerable fluctuations over the period are attributable to current economic conditions. The overall operational results are impacted considerably in 2010 and 2011 due to net realized capital losses. For the examination period, many factors are included in the net income calculation, including the investment market conditions, reserve adjustments on reinsurance ceded attributable to MODCO reserve change and increase in guaranteed benefits.

LOSS/MORTALITY EXPERIENCE

Reserves and contract claims as of December 31, 2010, and December 31, 2011, were as follows:

	Aggregate Reserves for Life Contracts	Liability for Deposit-type Contracts	Contract Claims: Life	Total
December 31, 2010	$1,815,359,755	$5,170,370	$2,100,878	$1,822,631,003
December 31, 2011	1,836,264,917	7,397,796	2,270,362	1,845,933,075
Increase / (Decrease)	$20,905,162	$2,227,426	$169,484	$23,302,072

The $23.3 million overall increase is generally a result of new business, on-going analysis of recent loss development trends and strengthening of reserves. Original estimates are increased or decreased as additional information becomes known regarding individual claims. No significant changes were noted for any particular line of business.

REINSURANCE

Following is a summary of the principal reinsurance agreements in effect as of December 31, 2011:

Ceded to Affiliates

The Company entered into coinsurance, modified coinsurance and yearly renewable term agreements primarily with GLIC to provide for reinsurance of selected variable annuity contracts and group and individual life policies.

Risks ceded to GLIC as of December 31, 2011, consisted of policies with an in-force value of $4,994,477,978, which represents 99.83% of all ceded policies with an in-force value of $5,002,825,305. The reserve credits taken on policies ceded to GLIC totaled $102,843,059 during 2011, which represents 74.53% of all ceded reinsurance reserve credits taken of $137,997,433.

The affiliated reinsurance contracts in effect as of December 31, 2011, with corresponding in-force amounts are as follows:

Type of Contract	Effective Date	Line of Business	Retention/Limits	Amount In-force
First Excess Automatic Reinsurance - Yearly Renewable Term	7/1/1989	Annual premium variable life	$5,000,000 ($2.5 million for substandard) excess of $250,000	$610,819
Coinsurance / Modified Coinsurance	9/1/1995	Variable life	10% of each policy up to a per life maximum of $500,000	$3,872,661,800

Risk Premium - Yearly Renewable Term	9/1/1995	Variable life	10% of each policy up to a per life maximum of $500,000	$8,350,230
Automatic Indemnity Modified Coinsurance	21/1998	Group universal life	10% of each policy up to a per life maximum of $500,000	$307,774,000
Yearly Renewable Term (facultative option)	11/15/2005	Universal life	10% of each policy up to a per life maximum of $500,000, Super Preferred maximum of $1,000,000	$3,910,790
Coinsurance / Modified Coinsurance	11/15/2005	Universal life	10% of each policy up to a per life maximum of $500,000, Super Preferred maximum of $1,000,000	$737,039,052
Yearly Renewable Term (facultative option)	1/1/2011	Universal life	10% of each policy up to a per life maximum of $1,000,000	$64,131,287
Total				$4,994,477,978

The premium and reserve balances related to the variable life modified coinsurance agreement with GLIC effective September 1, 1995, and the universal life modified coinsurance agreement with GLIC effective November 15, 2005, exceeded the disclosure thresholds established by 18 Del. C. §5004(b)(3)f, which requires that when the reinsurance premium or a change in the insurer's liabilities equals or exceeds 5% of the insurer's surplus as regards policyholders, as of the 31st day of December next preceding, the agreement must be disclosed to the Delaware Department of Insurance in its Form B filing. These agreements were filed with the Delaware Department of Insurance and approved on December 17, 2009. A review of the 2011 Form B indicated that these two reinsurance agreements with GLIC were properly disclosed.

Ceded to Non-affiliates

The Company entered into no new reinsurance agreements during the examination period. Non-affiliated agreements in effect as of December 31, 2011, are as follows:

Type of Contract	Effective Date	Line of Business	Retention/Limits	Amount In-force
Automatic Reinsurance – Yearly Renewable Term (covered by two reinsurers)	9/15/1985	Single premium variable life	10% ($100,000 maximum) on risks over $250,000 and 100% on risks under $250,000	$8,347,327
Automatic Reinsurance – Yearly Renewable Term	9/1/1999	Flexible premium variable annuity, guaranteed minimum death benefit	none - 100% reinsured	$0
Automatic Quota share	9/1/2001	Annuity contracts for guaranteed minimum death benefit and earnings enhancement benefits	dependent upon year of death and amount of annuity contract	$0
Other	3/8/2004	Variable annuity contract rider – guaranteed minimum income benefit for the following products: Investor Income Access Asset Builder CXC	100% quota share up to $2,000,000 of retail annuity premium without prior written approval	$0

Yearly Renewable Term	4/4/2005	Variable annuity contract rider – guaranteed minimum death benefit for the following products: Investor Income Access Asset Builder CXC	100% quota share, individual maximum claim limits is, $1 million on claims occurring thru 4/07 $1.5 million on claims occurring from 4/07 to 4/12 $2.0 million on claims occurring from 4/12 to 4/17 $2.5 million in claims occurring after 4/17	$0
Yearly Renewable Term (Swiss Re)	7/1/07	Variable annuity contract rider – guaranteed minimum withdrawal benefit	90% quota share	$0
Total				$8,347,327

GIAC reinsures certain guarantees embedded within its variable annuity business on a non-proportional basis. GIAC does not take reserve credit for this reinsurance, except for the guaranteed minimum withdrawal benefit rider. The reserve credit taken for this contract in 2011 was $34,346,057.

In 2011, both affiliated and non-affiliated ceded reinsurance premiums totaled $70,960,659, or 4.43% of the Company's 2011 direct and assumed premium and annuity considerations of $1,602,110,093.

ACCOUNTS AND RECORDS

Premium, claim and separate account transactions are administered by its parent GLIC using various systems. Data from these systems is automatically posted into the Company's PeopleSoft general ledger. The Company utilizes GLIC's mainframe located in Bethlehem, PA for processing, updating, and storing the primary records of the company. Personal computers and file servers support financial reporting and analysis.

Investment transactions, administered through GLIC's investment department located in the New York City office, are processed using CAMRA software, which automatically post to the general ledger system. All other Company-related transactions, such as accounting, are also handled out of the New York City office.

The independent certified public accounting firm, PwC, audited the organization's records for the years ended 2008, 2009, 2010 and 2011. Audit reports and applicable work papers were made available for the examiners' use.

The accounts and records review included an assessment of the Company's risk management process in identifying and controlling risks in the key operational areas of the Company. In making the assessment in each key area, processes were reviewed, risks were identified, operational and organizational controls were identified and tested and the Company's methodology for assessing the effectiveness of the established mitigation factors was evaluated.

The primary systems used in the operations of the Company were also evaluated. The Information Systems (IS) portion of the examination was performed by INS Services. The review was performed in accordance with the NAIC Handbook. The review of IS controls included IS management and organizational controls, application and operating system software change controls, system and program development controls, overall systems documentation, logical and physical security controls, contingency planning, local and wide area networks, personal computers, and mainframe controls. Control testing performed by the Company's Risk Management function, IAD, and PwC was evaluated and testing of end user computing and IS outsourcing controls were performed in making the evaluation. As a result of the procedures performed, the IS Examination Team obtained reasonable assurance that IS general controls and general application controls were functioning as management intended and that an effective system of controls is in place and conducive to the accuracy and reliability of financial information processed and maintained by the Company. There are no reportable items related to our review of IS controls.

STATUTORY DEPOSITS

Listed below are the Company's statutory deposits:

State	Type of Deposit	Book/Adjusted Carrying Value	Fair Value
Arkansas	Bond	$ 194,469	$ 286,266
Delaware	Bond	2,594,763	2,909,266
Georgia	Bond	50,632	66,719
New Mexico	Bond	139,979	140,323
North Carolina	Bond	475,371	497,574
South Carolina	Bond	179,747	186,940
Virginia	Bond	235,560	303,065
Totals		$ 3,870,521	$ 4,390,153

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2011:

Assets
Liabilities, Surplus and Other Funds
Statement of Income
Reconciliation of Capital and Surplus Account
Analysis of Financial Statement Changes resulting from Examination

GUARDIAN INSURANCE & ANNUITY COMPANY

ASSETS

DECEMBER 31, 2011

	Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	$1,714,244,141	$0	$1,714,244,141	1
Preferred stocks	4,000,000		4,000,000	
Common stocks	2,942,753		2,942,753	
Cash, cash equivalents and short-term investments	62,687,409		62,687,409	
Contract loans	108,931,139		108,931,139	
Other invested assets	14,664,905		14,664,905	
Receivables for securities	1,354,118		1,354,118	
Investment income due and accrued	25,064,700		25,064,700	
Uncollected premiums and agents' balances in the course of collection	(21,170,212)	29,742	(21,199,954)	
Deferred premiums; agents' balances and installments booked but deferred and not yet due	213,767		213,767	
Amounts recoverable from reinsurers	2,271,515		2,271,515	
Funds held by or deposited with reinsured companies	80,916		80,916	
Other amounts receivable under reinsurance contracts	3,282,095		3,282,095	
Current federal and foreign income tax recoverable and interest thereon	-		-	
Net deferred tax asset	25,784,090	12,238,461	13,545,629	
Guaranty funds receivable or on deposit	400,000		400,000	
Receivables from parent; subsidiaries and affiliates	861,507		861,507	
Health care and other amounts receivable	1,889,377		1,889,377	
Aggregate write-ins for other than invested assets	40,434,679	585,393	39,849,286	
Total assets excluding Separate Accounts	$ 1,987,936,899	$ 12,853,596	$ 1,975,083,303	
From Separate Accounts	8,159,983,228		8,159,983,228	3
Totals	$ 10,147,920,127	$ 12,853,596	$10,135,066,531	

GUARDIAN INSURANCE & ANNUITY COMPANY

LIABILITES, SURPLUS AND OTHER FUNDS

DECEMBER 31, 2011

			NOTES
Aggregate reserve for life contracts	$	1,836,264,917	2
Liability for deposit-type contracts		7,397,796	
Life contract claims		2,270,362	
Premiums and annuity considerations for life and accident and health contracts received in advance		387	
Other amounts payable on reinsurance		95,353	
Commissions to agents due or accrued		2,181,608	
Transfers to Separate Accounts due or accrued		(198,182,159)	
Taxes; licenses and fees due or accrued		3,172,627	
Current federal and foreign income taxes		4,626,576	
Unearned investment income		767,401	
Amounts withheld or retained by company as agent or trustee		1,146,964	
Net adjustment in assets and liabilities due to foreign exchange rate		150,031	
Asset valuation reserve (miscellaneous liabilities)		14,069,299	
Payable to parent; subsidiaries and affiliates		13,831,597	
Payable for securities		4,230,308	
Aggregate write-ins for liabilities		31,315,973	
Total liabilities excluding Separate Accounts business	$	1,723,339,040	
From Separate Accounts statement		8,157,945,955	
Total liabilities	$	9,881,284,995	
Common capital stock		2,500,000	
Gross paid in and contributed surplus		174,500,000	
Aggregate write-ins for special surplus funds		7,911,305	
Unassigned funds (surplus)		68,870,231	
Surplus	$	251,281,536	
Totals of common and preferred stock and surplus		253,781,536	
Totals of liabilities; common and preferred stock and surplus	$	10,135,066,531	

GUARDIAN INSURANCE & ANNUITY COMPANY

SUMMARY OF OPERATIONS

DECEMBER 31, 2011

Premiums and annuity considerations for life and accident and health contracts	$ 1,531,149,434
Net investment income	90,702,093
Amortization of Interest Maintenance Reserve (IMR)	418,839
Separate Accounts net gain from operations excluding unrealized gains or losses	134,074
Commissions and expense allowances on reinsurance ceded	13,713,661
Reserve adjustments on reinsurance ceded	(14,036,851)
Income from fees associated with investment management; administration and contract guarantees from Separate Accounts	155,580,668
Charges and fees for deposit-type contracts	2,360
Aggregate write-ins for miscellaneous income	35,450,613
Totals	$ 1,813,114,891
Death benefits	6,476,054
Annuity benefits	289,508,743
Disability benefits and benefits under accident and health contracts	797
Surrender benefits and withdrawals for life contracts	962,214,506
Interest and adjustments on contract or deposit-type contract funds	285,645
Increase in aggregate reserves for life and accident and health contracts	20,905,163
Totals	$ 1,279,390,908
Commissions on premiums; annuity considerations and deposit-type contract funds	95,604,417
General insurance expenses	109,761,104
Insurance taxes; licenses and fees; excluding federal income taxes	10,531,887
Increase in loading on deferred and uncollected premiums	(15,638)
Net transfers to or (from) Separate Accounts net of reinsurance	302,664,573
Aggregate write-ins for deductions	4,354,798
Totals	$ 1,802,292,049
Net gain from operations before dividends to policyholders and federal income taxes	10,822,843
Net gain from operations after dividends to policyholders and before federal income taxes	10,822,843
Federal and foreign income taxes incurred	206,087
Net gain from operations after dividends to policyholders and federal income tax and before realized capital gains (losses)	$ 10,616,756
Net realized capital gains (losses)	(10,427,034)
Net income	$ 189,722

GUARDIAN INSURANCE & ANNUITY COMPANY

RECONCILIATION OF CAPITAL AND SURPLUS

FROM DECEMBER 31, 2007 to DECEMBER 31, 2011

	Capital and Surplus
Capital and surplus; December 31, 2007	244,673,931
Net income	(9,122,797)
Change in net unrealized capital gains (losses) less capital gains tax of $0	(1,467,234)
Change in net unrealized foreign exchange capital gain (loss)	(194,952)
Change in net deferred income tax	(1,944,649)
Change in nonadmitted assets	6,924,278
Change in reserve on account of change in valuation basis; (increase) or decrease	(3,130,626)
Change in asset valuation reserve	8,132,278
Surplus (contributed to) withdrawn from Separate Accounts during period	1,047,830
Other changes in surplus in Separate Accounts statement	(939,973)
Paid in (surplus adjustments)	2,000,000
Dividends to stockholders	-
Aggregate write-ins for gains and losses in surplus	7,803,450
Net change in capital and surplus for the year	9,107,605
Capital and surplus; December 31,2011	253,781,536

GUARDIAN INSURANCE & ANNUITY COMPANY

ANALYSIS OF CHANGES IN THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

There were no adjustments to the financial statements as a result of this examination.

NOTES TO THE FINANCIAL STATEMENTS

1) Bonds **$1,714,244,141**

Long-term bonds constitute the largest category of assets at December 31, 2011, representing approximately 86.8% of reported total admitted assets excluding separate accounts. Approximately $1,664,498,809, or 97.1%, of the Company's long-term bonds are rated as Class 1 or Class 2 by the NAIC. Approximately $144,845,675, or 8.4%, of long-term bonds are private placement securities. The Company has minimal exposure to mortgage-backed securities with below-prime borrowers, totaling $536,709.

2) Aggregate Reserve for Life Policies and Contracts **$1,836,264,917**

The above captioned amount is the same as that reported by the Company in its 2011 Annual Statement. The reserve breakdown in Exhibit 5, by type of benefit, is presented in the following table:

Reserve Segment	Total Gross	Reinsurance Ceded	Total (Net)
Life Insurance	217,178,426	63,082,759	154,095,667
Annuities	1,627,881,915	0	1,627,881,915
Accidental Death Benefits	53,363	46,348	7,015
Disability - Active Lives	2,673,173	2,359,661	313,512
Disability - Disabled Lives	1,519,059	1,355,892	163,167
Miscellaneous Reserves	124,956,415	71,152,774	53,803,641
Totals (Net)	1,974,262,351	137,997,434	1,836,264,917

As of December 31, 2011, GIAC held reserves for direct-written fixed and variable annuities, 10-year term insurance, variable life insurance (VLI) and variable universal life insurance. The only VLI currently being issued was developed by PALIC and is referred to as the Park Avenue Life (PAL) plan.

The overwhelming majority of GIAC's business relates to variable deferred annuities under individual and group contracts for which GIAC holds full account values as the reserve. The fixed interest segment is reported in the General Account (GA) annual statement, whereas the variable segments are reported in the Separate Accounts (SA) annual statement. GIAC also holds sizeable reserves for the variable segment of the variable life insurance policies. Most of the investment risks are borne directly by the contract owner. GIAC holds full account values as the reserve for these contracts.

The Department's consulting actuary INS Consultants Inc. (INS), performed the valuation review of GIAC's December 31, 2011 reserves and prepared the Certificate of Reserve Valuation. During that process, summary work papers were reviewed and found to be in order. The Actuarial Opinion was reviewed and found to be in order. Reserves were reviewed for compliance with standard valuation laws, applicable National Association of Insurance Commissioners (NAIC) Actuarial Guidelines and Model Regulations. Reserve trend analyses and an in-depth review of the Actuarial Opinion Memoranda (AOM), which included asset adequacy / cash flow testing (CFT) analysis for the examination period, were also performed. Reserves were reconciled from the summary work papers to Exhibit 5. Reserves for all blocks revealed stable trends for the period under examination. Based on the review, INS concluded that additional actuarial reserves were not required as of December 31, 2011.

3) Separate Account Assets **$8,159,983,228**

The Company has established separate accounts primarily to support the variable annuity and life insurance products it offers. 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 in certain mutual funds specified by the contract owners. Of these separate accounts, the Company maintains one separate account (SA I) whose sole purpose is to fund certain employee benefit plans of GLIC.

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, the 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.

The Separate Accounts balance was confirmed as being held under a custodial agreement with State Street Bank & Trust Company as of as of December 31, 2011.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The prior examination report noted the following recommendations:

1. It was observed that the Internal Audit Department (IAD) did not have access to all GLIC records. Therefore, it was recommended that the Internal Audit Department (IAD) be granted full access to GLIC records. Management responded that while IAD did not have access to all GLIC records, there have not been any restrictions imposed on IAD requests for such information which has restricted IAD's ability to properly perform its function. Furthermore, IAD is provided with most Board of Directors Committee and subsidiary minutes. The BOD and HR Committee minutes are not routinely provided to IAD because they may contain sensitive information (such as executive salary discussions) or confidential information (such as potential merger and acquisition information covered by confidentiality agreements). However, if IAD requires information contained within these reports as part of an audit, a certified excerpt or appropriately redacted version of the minutes will be provided by the Corporate Secretary upon request by IAD.

   Follow-up: The Company has complied with this recommendation.

2. The Amended and Restated Agreement for Services and Reimbursement between GLIC and GIAC effective December 31, 2007, and approved the Delaware Insurance Department on January 15, 2008, was not properly submitted on a Form D filing. It was recommended that the Company comply with 18 <u>Del.C.</u> §5005(a)(2)d regarding future Form D filings for any new related party management and service agreements. Management responded that it agrees with this recommendation and will utilize Form D for any future related-party management and service agreements.

   Follow-up: The Company has complied with this recommendation.

3. The Amended and Restated Agreement for Services and Reimbursement between GLIC and GIAC effective December 31, 2007, and approved by the Delaware Insurance Department on January 15, 2008, was improperly excluded from disclosure in the filed 2007 Form B submitted in April 2008. It was recommended that the Company comply with 18 <u>Del.C</u>. §5004(b)(3)e regarding future Form B filings to include all existing management and service agreements. Management responded that it agrees with this

recommendation and will ensure that all existing management and service agreements are included in future Form B filings.

Follow-up: The Company has complied with this recommendation.

4. The Participation Agreement among RS Investments LLC, RS Variable Products Trust and GIAC effective July 31, 2007, was not properly disclosed as a Form D filing at least 30 days before the effective date of the agreement as required by 18 Del.C. §5005(a)(2)d. It was recommended that the Company comply with 18 Del.C. §5005(a)(2)d regarding future Form D filings for any new related party management and service agreements. Management responded that it agrees with this recommendation and will utilize Form D for any future related-party management and service agreements.

   Follow-up: The Company has complied with this recommendation.

5. Related party reinsurance agreements that exceed the filing threshold established by 18 Del. C. § 5005(a)(2)c, were not submitted to the Delaware Department of Insurance for approval in a Form D filing as required and were not properly disclosed in the filed 2007 Form B filing. It was recommended that the Company comply with 18 Del.C. §5005(a)(2)c to obtain approval of affiliated reinsurance agreements that exceed the stated thresholds through a Form D filing and 18 Del.C. §5004(b)(3)f on future Form B filings to include all existing management, service and reinsurance agreements. Management responded that it agrees with this recommendation and will file a Form D when, in any given year, the reinsurance premium that the Company cedes or the change in the Company's reserve liabilities in connection with a reinsurance agreement, or any new reinsurance agreement, is 5% or more of the Company's prior year-end policyholder surplus. The Company will also disclose this agreement and all existing management and service agreements on the future Form B filings.

   Follow-up: The Company has complied with this recommendation.

6. During the review of the Actuarial Opinion Memorandum (AOM), several areas of concern had arisen as a result of the review regarding information in the memorandum and the asset adequacy/CFT analyses. As a result of these concerns, the following recommendations were made:

- Tables of liabilities tested should be consistent among all sections of the report.
- Product descriptions including market, underwriting and other aspects of a risk profile and the significant risks the appointed actuary deems significant should be included.
- There should be an indication of how the assets supporting the Asset Valuation Reserve (AVR) are used in the analysis.
- Discussions and descriptions of all asset adequacy analysis methods used and a presentation of results for all liability items tested using all methods should be indicated.

Management responded as follows:

- Beginning with the 2008 Actuarial Opinion Memorandum, all tables of liabilities are consistent with the various sections of the AOM.
- A separate section of risks that are deemed significant for each of the various lines of business are shown on page 17 of both the 2007 AOM and 2008 AOM.
- The assets supporting the AVR are not used in the Company's analysis as noted below.
- The following information is on both the 2007 AOM and the 2008 AOM (page numbers refer to the 2007 AOM):

    - The tables on pages 3-4 of the 2007 AOM and pages 3-5 of the 2008 AOM lists the analysis method used for all reserves.
    - Beginning on page 4 of the 2007 AOM and on page 5 of the 2008 AOM is a description of the asset adequacy that was based on cash flow testing and the asset adequacy that did not use cash flow testing. Starting on page 6 of the 2007 AOM and on page 7 of the 2008 AOM is a description of the analysis methodology for cash flow testing.
    - In addition, in the sections beginning on pages 25, 29, 33, 35 and 37 of the 2007 AOM and beginning on pages 26, 33, 40, 45 and 52 of the 2008 AOM are the results of the cash flow testing and asset adequacy analysis that was performed.

Follow-up: All of the recommendations made in the prior examination pertaining to the AOM were complied with.

SUMMARY OF RECOMMENDATIONS

There were no examination findings or recommendations as a result of the examination as of December 31, 2011.

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

Description	December 31, 2011	December 31, 2007	Increase (Decrease)
Assets	$10,135,066,531	$10,402,934,835	$(267,868,304)
Liabilities	$9,881,284,995	$10,158,260,905	$(276,975,910)
Capital and Surplus	$253,781,536	$244,673,930	$ 9,107,606

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. and INS Services, Inc. is acknowledged.

Respectfully submitted,

Douglas E. Bey

Douglas E. Bey
Examiner In-Charge
State of Delaware