REPORT ON EXAMINATION

OF THE

GUGGENHEIM LIFE AND ANNUITY COMPANY

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

GUGGENHEIM LIFE & ANNUITY COMPANY

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

Attest By: ______________________

Date: June 11, 2013

Insurance Commissioner of the State of Delaware

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 11th day of June, 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

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GUGGENHEIM LIFE & ANNUITY COMPANY

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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 11th day of June, 2013

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SALUTATION

April 30, 2013

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

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 12.022, dated June 6, 2012, an examination has been made of the affairs, financial condition and management of the

GUGGENHEIM LIFE AND ANNUITY COMPANY

hereinafter referred to as (Company or GLAC) and incorporated under the laws of the state of Delaware as a private company with its statutory home office located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The examination was conducted at the administrative office of the Company located at 401 Pennsylvania Parkway, Suite 300, Indianapolis, Indiana 46280.

The report of this examination is submitted herewith.

SCOPE OF EXAMINATION

This is the first financial examination of the Company since its redomestication to the State of Delaware effective June 1, 2010. This financial examination covered the period from January 1, 2007 to 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 as of 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* (Handbook). The NAIC Handbook requires that we plan and perform the examination to assess the financial condition and identify prospective risks by evaluating Company information including operations, corporate governance, identifying and assessing material inherent risks to which the Company is considered exposed and evaluating processes, systems, controls and other procedures used to mitigate those risks. The examination also included assessing principles used and significant estimates made by management, as well as evaluating overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions.

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report addresses regulatory issues reviewed during the examination process.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers, LLC. Certain auditor work papers of their 2011 external audit have been incorporated into the work papers of this examination and have been utilized principally in the area of risk mitigation and substantive tests of account balances.

In addition to items hereinafter incorporated as a part of this report, the following areas were reviewed without material exception and made part of the work papers of this examination.

Conflict of Interest
Fidelity Bond and Other Insurance
Pensions, Stock Ownership and Insurance Plans
NAIC Ratios
Legal Actions
Regulatory Agency Correspondence
All other Assets and Liabilities not mentioned

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, adjustments to the financial statements, or specific recommendations as a result of this examination.

SUBSEQUENT EVENTS

On December 31, 2012, the Delaware Department of Insurance approved an ordinary dividend in the amount of $45,018,582 to be paid on December 7, 2012.

Effective February 11, 2013, Brian T. Sir was appointed as a director, to replace Jeffery Scott Lange who resigned as a director of the Company effective January 14, 2013.

Effective January 14, 2013, Jeffery Scott Lange, President and Chief Executive Officer of GLAC resigned. Also, Daniel J. Towriss was appointed as President and Chief Executive Officer replacing Mr. Lange.

Effective January 14, 2013, James L. Foorman was appointed as a director and Secretary of GLAC.

On January 14, 2013, the Delaware Department of Insurance approved a capital contribution receivable for an amount no less than $10,000,000 in the Company's statutory financial statements as of and for the year ended December 31, 2012. The capital contribution of $10,000,000 was received on February 27, 2013.

Effective July 9th, 2012, Guggenheim Life and Annuity Company entered into an Insurance Marketing and Agency Agreement with Gennessee Insurance Agency, LLC (owned by Security Benefit Life Insurance Company). Under this agreement, the Company appointed GL Insurance Marketing, LLC as its Master Agent to solicit and sell annuities written by GLAC. The relationship between the Master Agent and the Company is solely as an independent contractor. This agreement was filed with the Department in its From D July 2012.

The Company has contracted with Guggenheim Insurance Services, an affiliate, to perform all of its commission payment obligations under this agreement.

During 2012, total commissions paid by Gennessee on behalf of GLAC during 2012 were $7,379,896, on premiums received of $204,365,733. The total premiums received by GLAC during 2012 were $278,856,225.

COMPANY HISTORY

The Company was incorporated in Missouri on August 29, 1985 as Kansas City Variable Life Company, and commenced operations on October 1, 1985. On June 30, 1993, after an acquisition by Heartland Health Network Corp. and IASD Health Services Corp., the Company re-domesticated to Iowa and changed its name to Community Financial and Insurance Corp. Effective April 2, 1997, the Company again changed its name to Wellmark Community Insurance, Inc.

Effective August 31, 2009, the Company was acquired by GLAC Holdings, LLC, which is 100% owned by GPFT Holdco, LLC, (GPFT). GLAC is 100% owned by GLAC Holdings, LLC which is 100% owned by GPFT. On September 9, 2009, the Company’s name was changed from Wellmark Community Services, Inc. to Guggenheim Life and Annuity Company (GLAC). The Company redomesticated to Delaware effective June 1, 2010.

CAPITALIZATION

Common Capital Stock

The Company has 1,000,000 authorized shares of common stock, with a par value of $10 per share and 275,000 shares issued and outstanding for a total capital paid in of $2,750,000.

Gross Paid-In and Contributed Surplus

In 2010, the Company received an $85.0 million cash capital contribution from GLAC Holdings, LLC. With the permission of the Delaware Department of Insurance, GLAC recorded a $35.0 million capital contribution receivable at December 31, 2011, from GLAC Holdings, LLC. The capital contribution was received in cash on February 28, 2012.

CORPORATE RECORDS

The recorded minutes of the Stockholders and Board of Directors 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 authorization of investments as required by 18 Del. C. § 1304 "Authorization; record of investments."

MANAGEMENT AND CONTROL

Directors

The Board of Directors shall consist of one (1) to five (5) Directors and are elected for a one year term. The Directors shall be elected at the annual meeting of stockholders and are elected by a plurality of stockholder votes.

At December 31, 2011, the members of the Board of Directors together with their principal business affiliations were as follows:

Directors Name	Principal Business Affiliation
Jeffery Scott Lange *	Senior Managing Director Guggenheim Partners, LLC
Mark Richard Walter *	Chief Executive Officer Guggenheim Capital, LLC
David Lee Korman	Chief Legal Officer Guggenheim Capital, LLC
Donald Christopher Cacciapaglia	President and Chief Operating Officer, Investment Management Guggenheim Partners, LLC
Byron Scott Minerd	Managing Partner Guggenheim Capital, LLC

*Jeffery Scott Lange resigned on January 14, 2013 and is no longer a member of the Board of Directors.
*Mark Richard Walter resigned on December 31, 2012 from the Board of Directors.
*Brian Thomas Sir was elected to the Board of Directors on February 11, 2013, effective December 31, 2012.

Officers

The corporate bylaws state that the elected officers of the Company includes a Chief Executive Officer, President, Chief Operating Officer, Secretary, Treasurer, and other officers as appointed by the Board of Directors. One Vice President shall be elected to perform the power of the President in the event of a President's absence or disability.

At December 31, 2011, the Company's principal officers and their respective titles are as follows:

Officer	Title
Jeffery Scott Lange *	Chief Executive Officer, President
James Darrell Purvis	Chief Operating Officer, Treasurer
Daniel Jonathan Towriss	Chief Actuary, Chief Risk Officer, Secretary
Frank Kennedy Neill III	Chief Investment Officer
Jill Sugar Factor	Assistant Secretary

*Jeffery Scott Lange resigned on January 14, 2013 as President and Chief Executive Officer of GLAC.

Inspection of Company files indicated that ethics statements/conflict of interest affidavits were distributed, completed and returned by all employees at a manager level or above for the examination period.

It was noted that written correspondence was submitted to the Delaware Department of Insurance in regards to the changes in officers and directors during the period under examination in compliance with 18 Del. C. § 4919 "Change of directors, officers; notice."

Insurance Holding Company System

Guggenheim Life and Annuity Company (GLAC) is 100% owned by GLAC Holdings, LLC (Holdings), which is a wholly-owned subsidiary of GPFT Holdco, LLC (GPFT), a limited liability company organized under the laws of Delaware. On August 31, 2009, GPFT acquired the capital stock of the company from Wellmark, Inc. The name change to GLAC was approved by the State of Iowa Department of Insurance effective September 1, 2009. The vast majority of the annuity business was assumed from Midland National Life Insurance Company and the North American Company for Life and Health Insurance in the fourth quarter of 2009. Capital was contributed by the parent company, Sammons Financial Group (SFG), in support of the insurance and investment risks assumed.

GLAC is a subsidiary of Guggenheim Partners, LLC, a privately held, global financial services firm headquartered in New York and Chicago with more than $100 billion in assets under management. Guggenheim Partners, LLC provides investment management, investment advisory, insurance, investment banking and capital markets services. In August 2010, Guggenheim Partners, LLC led a group of investors in a transaction to purchase Security Benefit Corporation and its subsidiaries.

The Company's direct parent is GLAC Holdings, LLC. The Company does not hold direct or indirect ownership of any subsidiary companies. The abbreviated organizational chart below reflects affiliated entities within the holding company structure:

- Sammons Enterprises Inc., ESOT
  - Sammons Enterprises Inc.
    - Consolidate Investment Services Ins.
      - Sammons Financial Group, Inc.
        - Midland National Life Insurance Company (IA)
        - North American Company for Life and Health Insurance (IA)
        - SAGE Assets, Inc.
          - Guggenheim Capital, LLC
            - Guggenheim Partners, LLC
              - Guggenheim Knights of Security, LLC
                - Guggenheim SBC Holdings, LLC
                  - Security Benefit Corporation
                    - First Security Benefit Life and Annuity of NY (NY)
                    - Security Benefit Life Insurance Company (KS)
              - GP Holdco, LLC
                - GPFT Holdco, LLC
                  - Guggenheim Insurance Holdco, LLC
                    - PLIC Holdings, LLC
                      - Paragon Life Insurance Company of Indiana (IN)
                    - Guggenheim Insurance Services
                    - Acorn Holdco Parent II, LLC
                      - Acorn Holdco, LLC
                        - Equitrust Life Insurance Company
                  - GLAC Holdings, LLC
                    - **Guggenheim Life and Annuity Company (DE)**
              - GPAM Holdings, LLC
                - Guggenheim Partners Asset Management, LLC
            - Liberty Hampshire Holdings

A review of the Insurance Company Annual Registration Statement filings (Forms B and C) made by the Company for all years under examination revealed that the Company had complied with the requirements of 18 Del. Admin. Code 1801 "Registration of Insurance Holding Companies."

Intercompany Management and Service Agreements

The Company was a party to numerous inter-company agreements, which were disclosed by the Company in its Form B Registration Statement filings with the Delaware Department of Insurance. The agreements of significance are summarized as follows:

Service and Cost Sharing Agreement

On December 1, 2010, the Company entered into a Service and Cost Sharing Agreement with Guggenheim Insurance Services (GIS) for bookkeeping, accounting, IT, marketing, actuarial, and other administrative services. Addendums were made for the update of services provided to the Company as of October 1, 2011 and April 1, 2012. Pursuant to the agreement, charges for services for any month shall equal $1/12^{th}$ of 0.20% multiplied by the Company's total admitted assets as of the last day of said month.

Administration Services Agreement

Effective October 1, 2011, GLAC is a party to an Administrative Services Agreement with Guggenheim Partners Asset Management, LLC (GPAM). The Administrative Services Agreement was approved effective October 1, 2011 by the Department by letter dated September 1, 2011. Administrative services provided by GPAM under the agreement include administrative and corporate services including: Establishment and maintenance of Company books, operational aspects of the settlement of contracts and transactions, and cashiering functions. In accordance with Exhibit B of the agreement, GPAM shall be paid a quarterly servicing fee equal to eight (8) basis points annually multiplied by the Net Asset Value of all assets of GLAC serviced by GPAM.

Selling Agreement

Effective November 1, 2010, the Company entered into a selling agreement with Guggenheim Investor Services (GIS) and South Blacktree Agency. Pursuant to the agreement, GIS and South Blacktree will offer, sell, and service flexible premium joint variable universal life policies that are issued by GLAC and that are deemed to be securities under the Securities Act of 1933, as amended but are exempt from registration thereunder.

The agreement was amended on April 20, 2012 to include the sale of funding agreements and variable annuities. The agreement calls for no compensation for the services provided. Instead, GLAC agrees to remit directly to the State Department of Insurance any fee assessed for the appointment of any selling representative, agency or selling broker-dealer with GLAC.

Investment Management Agreement

Effective December 17, 2009, The Company entered into an Investment Management Agreement with Guggenheim Partners Asset Management (GPAM) whereby GPAM manages the investments of the Company. Pursuant to the agreement, GPAM will be paid for services on a quarterly basis a fee on all assets held in the investment account equal to 0.20% multiplied by the Net Asset Value of the Investment account as of each calendar month end.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2011, the Company was licensed as a life insurer, including annuities and health insurance in forty-eight (48) states and the District of Columbia. The Company was admitted in Delaware on December 22, 1987 to write life, annuities and health policies. Effective June 1, 2010, the certificate of authority was amended to add variable life. The Company underwrites life reinsurance on a treaty basis for insurance and reinsurance companies in the United States.

During 2010, the Company experienced significant growth in assumed premium written over the prior year. Assumed premiums increased from ($26,581) to $564,577,404 in 2010, and increased to $592,641,713 in 2011.

During 2010 the Company wrote $106,078,288 in ordinary life policies and increased direct premiums written during 2011 to $370,528,322, including $367,578,288 in ordinary life policies, $2,948,119 in individual annuities and $1,915 in accident and health policies. The Company currently writes multi-year guaranteed annuities introduced in 2011 and began writing single premium immediate annuities in July 2012. All business is produced by independent agents who are recruited and contracted through a network of regional and national Independent Marketing Organizations (IMO's). The IMO's are recruited, qualified and approved for appointment by the GLAC marketing department.

Ceded premiums increased to $354,983,867 in 2011 from $0 in 2010 with 100% of the premiums ceded to Paragon Life Insurance Company (Paragon), an affiliate of the Company.

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the past five years through December 31, 2011:

Year	Net Admitted Assets	Capital and Surplus	Gross Written Premiums	Net Income (Loss)
2007	$ 22,231,184	$ 17,537,980	$ 391	$ 609,079
2008	$ 18,306,693	$ 16,055,194	$ 430	$ (761,855)
2009	$1,302,828,116	$115,720,952	$ (26,581)	$(27,937,803)
2010	$2,763,188,832	$190,593,572	$724,557,792	$(21,374,905)
2011	$5,908,220,105	$312,768,582	$963,170,035	$118,380,200

For the years 2007-2009, the Company was domiciled in the state of Iowa and doing business under the name of Wellmark Community Insurance, Inc., prior to its acquisition by GLAC Holdings, LLC.

In 2011, the Company experienced significant profitability growth and increased sales which resulted in sharp increases in capital and surplus and gross written premiums during 2011. The Company's capital and surplus increased by $122.2 million in 2011. The increase was primarily attributed to net income, which increased from ($21,374,905) in 2010 to $118,380,200 in 2011. The increase was primarily due to net investment income which increased approximately $102.3 million in 2011.

During 2011, the Company received net premium deposits of $362.0 million on issued Private Placement Variable Universal Life business.

LOSS EXPERIENCE

The reserves for aggregate reserve for life contracts, aggregate reserve for accident and health contracts and liability for deposit-type contracts as of December 31, 2011 were $3,905,126,159 collectively. Claims reserves for life contract claims were $4,868,142 as of December 31, 2011. An independent loss reserve review was performed as part of this examination. The findings of that review are discussed in the "Notes to Financial Statements".

REINSURANCE

The Company is involved in the assumption and cession of primarily individual annuity business through various coinsurance agreements with affiliated and unaffiliated companies. The effects of the agreements, as reflected in the Company's 2011 filed Annual Statement, were as follows:

Direct - Ordinary Life Premiums	$367,578,288
Individual Annuity Considerations	2,948,119
Accident & Health Premiums	1,915
	$370,528,322
Assumed - Individual Annuity Considerations	$592,634,075
Accident & Health Premiums	7,638
	$592,641,713
Ceded - Individual Annuity Considerations	$354,983,867
Total Net Life and Annuity Considerations	$608,186,168

The Company entered into an Agreement and Plan of Reorganization with Standard Life Insurance Company of Indiana (SLIC) and the rehabilitator for SLIC, pursuant to which, among other things, the Company reinsured 100% of the policies originally issued by SLIC. The transactions were approved by the Marion County (Indiana) Circuit Court on January 18, 2011, and closed during the first quarter of 2011. A significant portion of the policies assumed from SLIC were retro-ceded to Paragon, in a funds withheld coinsurance treaty. Net of the retro-cessions, the Company assumed $686.6 million of assets and liabilities from this transaction and recorded a negative ceding commission of approximately $37.0 million. The negative ceding commission was reported as a change in surplus due to reinsurance net of tax and is being amortized through income. As of December 31, 2011, all of the SLIC policies were fully assumed and had been converted to direct policies of the Company.

Funds withheld liabilities associated with the retro-cessions to Paragon totaled $662.7 million as of year-end 2011. As a part of the SLIC transaction, the Company retro-ceded to Paragon a block of annuities in January, 2011, which were originally assumed by an unaffiliated company. The Company ceded assets and liabilities equal to $99.2 million and received a ceding allowance of $1.5 million from Paragon. A portion of the funds withheld liability mentioned above is related to this block of business.

<u>Assumed - Affiliated</u>

The Company reported affiliated assumed business at December 31, 2011 with two affiliates, North American Company for Life and Health (NACLH) and Midland National Life Insurance Company (MNLIC). The Company reported total assumed annuity considerations from NACLH of $210.9 million. Total assumed annuity considerations reported with affiliate MNLIC for the same period was a negative $85,369 due to an adjustment between SFG and the Company as a result of a policy cancellation.

<u>Assumed - Unaffiliated</u>

The Company reported unaffiliated assumed business at December 31, 2011 with three companies, Employees Life Co (Mutual), Western Catholic Union (WCU) and SLIC. The Company reported total assumed annuity considerations from Mutual of $354.7 million and $27.1 million from WCU. SLIC's cessions to the Company included annuity considerations of $1,931 and accident and health premiums of $7,638.

<u>Ceded</u>

All of the Company's ceded business at December 31, 2011 was with its affiliate Paragon, reporting total ceded annuity considerations of $354.9 million. The funds withheld coinsurance treaty with Paragon resulted in a funds withheld under coinsurance liability of $662.7 million at year end 2011, with a reserve credit taken of $924.3 million.

ACCOUNTS AND RECORDS

General Background and Overview

The Company operates in a computer-dominant environment, with all major information system application administration and data storage being performed at a Guggenheim data center located in Chicago, Illinois. A second Guggenheim data center has been established in Weehawken, New Jersey, which mirrors the applications and data stored at the Chicago, Illinois data center.

The Company has adequate security policies and procedures in place and the data center performs daily full system backups. The back-up and data restore procedures are tested annually. The Company has a disaster recovery plan that covers its mainframe operations and is periodically tested.

Independent Accountants

The Company's financial statements are audited each year by the firm of PricewaterhouseCoopers, LLP (PwC) of New York, NY. The Examiners reviewed the audited statutory financial statements for all years under examination. For all years under review, PwC issued an unqualified opinion. The examiners reviewed PwC's 2011 work papers, and incorporated their work and findings as deemed applicable into the current examination.

Actuarial Opinion

The Company's loss reserves and related actuarial items were reviewed by Daniel J. Towriss, FSA, MAAA, who issued a statement of actuarial opinion based on the financial information presented by the Company. The opinion stated that the reserves and related actuarial values carried on the balance sheet were computed in accordance with accepted loss reserving standards and principles and were reasonable in the aggregate for unpaid loss and loss expense obligations and all unearned premium obligations of the Company related to long duration contracts under the terms of its contracts and agreements and met the requirements of the insurance laws of the state of Delaware.

The consulting firm of INS Consultants, Inc. (INS), Philadelphia, PA was contracted to perform an independent loss reserving review. The findings of that review are discussed in the "Notes to Financial Statements".

STATUTORY DEPOSITS

The Company's state statutory deposits are comprised of U.S. Treasury Notes and other bonds. The following statutory deposits were on file with the following states:

	Deposits For The Benefit of All Policyholders		All Other Special Deposits	
State	Book/Adjusted	Fair Value	Book/Adjusted	Fair Value
Arizona			100,131	100,131
Delaware			1,702,137	1,708,694
Georgia			101,560	116,093
Massachusetts			101,560	116,093
New Hampshire			504,144	533,340
New Mexico			110,360	112,883
North Carolina			604,973	640,008
Virginia			604,662	638,853
Total Deposits	$ -	$ -	$ 3,829,526	$ 3,966,095

All statutory deposits were directly confirmed with the individual states and traced back to Schedule D of the 2011 Annual Statement with no exceptions noted.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2011, as determined by this examination, along with supporting exhibits as detailed below:

General Account:
- Assets
- Liabilities, Surplus and Other Funds
- Summary of Operations
- Capital and Surplus Account
- Reconciliation of Capital and Surplus

Separate Accounts:
- Assets
- Liabilities and Surplus

Schedule of Examination Adjustments

It should be noted that the various schedules and exhibits may not add to the totals shown due to rounding.

Analysis of Assets
As of December 31, 2011

	Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	$ 2,560,098,932		$ 2,560,098,932	1
Preferred stocks	24,961,912		24,961,912	
Common stocks	134,376,938		134,376,938	
Mortgage loans on real estate:				
First liens	385,279,948		385,279,948	2
Real estate:				
Cash, cash equivalents and short-term investments	1,588,728,627		1,588,728,627	3
Contract loans	434,726,033		434,726,033	4
Derivatives	8,868,372		8,868,372	
Other invested assets	205,161,043		205,161,043	5
Receivables for securities	17,955,383		17,955,383	
Aggregate write-ins for invested assets	161,000		161,000	
Investment income due and accrued	38,422,788		38,422,788	
Electronic data processing equipment and software	84,652		84,652	
Furniture and equipment	61,848	61,848	-	
Receivables from parent, subsidiaries & affiliates	35,000,000		35,000,000	
Aggregate write-ins for other than invested assets	6,447,132		6,447,132	
Total Assets Excluding Separate Accounts	$ 5,440,334,607	$ 61,848	$ 5,440,272,759	
From Separate Accounts, Segregated Accounts and Protected cells	467,947,346		467,947,346	
Total Assets	$ 5,908,281,953	$ 61,848	$ 5,908,220,105	

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2011

Liabilities, Surplus and Other Funds		Notes
Aggregate reserve for life contracts	$ 2,899,684,727	6
Aggregate reserve for accident and health contracts	62,581	7
Liability for deposit-type contracts	1,005,378,851	8
Contract claims:		
Life	4,868,142	9
Contract liabilities not included elsewhere:		
Other amounts payable on reinsurance	14,132,158	
Interest Maintenance Reserve	27,030,088	
General expenses due or accrued	249,248	
Transfers to Separate Accounts due or accrued (net)	(9,465,624)	10
Taxes, licenses and fees due or accrued, excluding federal income taxes	27,170	
Current federal or foreign income taxes	18,110,109	
Net deferred tax liability	8,091,366	
Amounts withheld or retained by company as as agent or trustee	136,003	
Remittances & items not allocated	335,238	
Miscellaneous liabilities:		
Asset valuation reserve	30,909,657	
Payable to parent, subsidiaries and affiliates	4,164,921	
Funds held under coinsurance	662,702,482	
Payable for securities	474,910	
Payable for securities lending	460,612,150	
Total Liabilities Excluding Separate Accounts business	$ 5,127,504,177	
From Separate Accounts Statement	467,947,346	
Total Liabilities Excluding Separate Accounts business	$ 5,595,451,523	
Common capital stock	$ 2,750,000	
Gross paid in and contributed surplus	265,000,000	
Unassigned funds (surplus)	45,018,582	
Surplus as regards policyholders	$ 312,768,582	
Total Liabilities, Capital and Surplus	$ 5,908,220,105	

Summary of Operations
As of December 31, 2011

Premiums and annuity considerations for life and accident and health contracts	$	608,186,168
Considerations for supplementary contracts with life contingencies		584,472
Net investment income		201,312,474
Amortization of Interest Maintenance Reserve		3,927,529
Commissions and expense allowances on reinsurance ceded		33,854,042
Reserve adjustments on reinsurance income		
Mscellaneous Income:		
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts		7,525,721
Aggregrate write-ins for miscellaneous income		587,458,547
Total	$	1,442,848,953
Annuity benefits	$	69,216,818
Disability benefits		9,442
Surrender benefits and withdrawals for life contracts		178,631,534
Interest and adjustments on contract or deposit-type contract funds		(57,020,049)
Payments on supplementary contracts with life contingencies		17,680
Increase in aggregrate reserves for life and accident and health contracts		696,208,372
Totals	$	887,063,797
Commissions on premiums, annuity considerations and deposit type contract funds	$	390,329
Commissions and expense allowances on reinsurance assumed		44,186,652
General insurance expenses		14,371,293
Insurance taxes, licenses and fees, excluding federal income taxes		742,050
Increase in loading on deferred and uncollected premiums		
Net transfers to or (from) Separate Accounts net of reinsurance		
Aggregate write-ins for deductions		359,139,929
Totals	$	1,305,894,050
Net gain from operations before dividends to policyholders and federal income taxes	$	136,954,903
Dividends to policyholders		-
Net gain from operations after dividends to policyholders and before federal income taxes		136,954,903
Federal and foreign income taxes incurred		21,591,300
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains		115,363,603
Net realized capital gains (losses)		3,016,597
Net income	$	118,380,200

Capital and Surplus Account
As of December 31, 2011

CAPITAL AND SURPLUS ACCOUNT	
Surplus as regards policyholders, December 31, 2010	$190,593,572
GAINS AND (LOSSES) IN SURPLUS	
Net income	$118,380,200
Change in net unrealized capital gains (losses) less capital gains tax	(6,485,597)
Change in net deferred income tax	(28,130,052)
Change in nonadmitted assets	7,037,864
Change in asset valuation reserve	(21,825,024)
Surplus adjustment:	
Paid in	35,000,000
Change in surplus as a result of reinsurance	18,197,619
Net change in capital and surplus for the year	$122,175,010
Capital and Surplus, December 31, 2011	$312,768,582

Reconciliation of Capital and Surplus
December 31, 2009 through December 31, 2011

The following reconciliation of capital and surplus represents the period since being acquired by Holdings:

Capital and Surplus, December 31, 2009		$ 115,720,952
	2010	
Net income	$ (21,374,905)	
Change in net unrealized capital gains or (loss)	3,370,122	
Change in net deferred income tax	12,512,892	
Change in nonadmitted assets	(57,743)	
Change in Asset Valuation Reserve	(4,577,746)	
Surplus adjustments: Paid in	85,000,000	
	$ 74,872,620	
Capital and Surplus, December 31, 2010		$ 190,593,572
	2011	
Net income	$ 118,380,200	
Change in net unrealized capital gains or (loss)	(6,485,597)	
Change in net deferred income tax	(28,130,052)	
Change in nonadmitted assets	7,037,864	
Change in Asset Valuation Reserve	(21,825,024)	
Surplus adjustments: Paid in	35,000,000	
Change in reinsurance as a result of reinsurance	18,197,619	
	$ 122,175,010	
Capital and Surplus, December 31, 2011		$ 312,768,582

Separate Accounts Assets
As of December 31, 2011

	General Account Basis	Fair Value Basis	Total	Notes
Other invested assets	467,947,346	$ -	467,947,346	
Total Assets Excluding Separate Accounts	$ 467,947,346	$ -	$ 467,947,346	

Separate Accounts Liabilities and Surplus
As of December 31, 2011

Liabilities, Surplus and Other Funds	Account Basis	Value Basis	Total	Notes
Aggregate reserve for life contracts	$ 467,894,223	$ -	$ 467,894,223	11
Other transfers to general account due or accrued	53,123		53,123	12
Totals	$ 467,947,346	$ -	$ 467,947,346	

SCHEDULE OF EXAMINATION ADJUSTMENTS

There were no financial adjustments made to the Company's General or Separate Account balance sheet as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

Assets

Note 1 - Bonds **$2,560,098,932**

Investments in bonds are reported at values (amortized cost) adopted and approved by the Securities Valuation Office (SVO) of the NAIC. Bonds owned (rounded in millions) by the Company as of December 31, 2011 were as follows:

Statement

	Value
US Governments	$ 5,038
Special Revenue	521,367
Hybrid securities	2,033,694
	$2,560,099

The Company's bond holdings represents 47.8% of the Company's total invested assets and 43.3% of total admitted assets at December 31, 2011, while approximately 98% were categorized as Class 1 or 2 with respect to NAIC credit quality standards.

The Company's strategy is to invest in high quality corporate securities. Mortgage backed securities were also included in the Company's portfolio to diversify the risk characteristics from primarily corporate credit risk to a mix of credit and cash flow risk. The Mortgage backed securities offer a higher yield than corporate debt securities of similar credit quality and expected average lives.

Note 2 - Mortgage Loans on Real Estate $385,279,948

The Company originates mortgages that are collateralized by commercial real estate. The Company did not have any mortgages with interest more than 180 days past due. In circumstances where management has deemed it probable that the Company will be unable to collect all contractual principal and interest on a mortgage loan, a valuation allowance is established to reduce the statement value of the mortgage loan to its net realized value. The Company had no mortgage loan valuation allowances as of December 31, 2011. The mortgages held by the Company had interest rates ranging from 5.3% to 12.3% per annum.

Note 3 - Cash, Cash Equivalents and Short Term Investments $1,588,728,627

Cash, cash equivalents and short term investments represented 27% of total admitted assets at December 31, 2011 and were made up of the following:

Cash	$ 228,816,520
Cash Equivalents	1,125,205,443
Short term investments	234,706,664
	$1,588,728,627

Cash on deposit was held at four (4) financial institutions with over 95% or $217,690,520 on deposit at Bank of New York Mellon (BONY), the Company's custodial bank.

Cash equivalents as of December 31, 2011 were comprised of $760,005,443 in United States Treasury Bills held under safekeeping with BONY and $365,200,000 in collateral under reverse repurchase agreements entered into by the Company. For reverse repurchase agreements, the Company's policies require a minimum of 102% of the fair value of securities purchased under the master repurchase agreement to be maintained as collateral. The Company accounts for reverse repurchase agreements as short term lending and the amount loaned is recorded as cash equivalents. The Company's reverse repurchase agreements are approximately 30 days in duration.

Since 2011, the Company has been engaged in intercompany borrowing transactions. According to management, GLAC is a party to various short-term intercompany loans in order to deploy its capital more efficiently and to enhance its investment returns. As of December 31, 2011, the aggregate value of all loans outstanding under this program was $229,200,000.

Note 4 - Contract Loans $434,726,033

The captioned amount represents five (5) policy loans at December 31, 2011, that are stated at outstanding principal balances and are collateralized by two Private Placement Variable Annuity Life (PPVUL) policies held in the Separate Accounts.

Note 5 - Other Invested Assets $205,161,043

At December 31, 2011, the captioned asset was primarily comprised of limited partnerships, limited liability companies, residential reverse mortgages, collateral loan and a surplus note. The respective asset classes and their reported amounts are as follows:

Description	Amount
Limited partnerships, limited liability companies	$114,085,763
Residential reverse mortgages	41,075,280
Collateral loan	15,000,000
Surplus note	35,000,000
Total	$205,161,043

Limited partnerships are valued in accordance with SSAP No, 48, Joint Ventures, Partnerships, and Limited Liability Companies and SSAP No. 97, Investments in Subsidiary, Controlled, and Affiliated Entities, a Replacement of SSAP No. 88 that allow the Company to carry these interests based on the underlying tax or GAAP audited equity of the investee.

Reverse mortgages represent first liens on the related residential properties located primarily in California and Florida. These reverse mortgages are valued in accordance with SSAP No. 39, Reverse Mortgages, which allows the Company to carry these securities at remaining principal balances. Income on reverse mortgages is recognized using effective yield based on the contractual interest rate and anticipated repayment of the mortgage.

On December 1, 2010, the Company purchased a surplus note in the amount of $35,000,000 from an affiliate, North American Company for Life and Health. The reported surplus note represents the unpaid principal balance. Interest is accrued at the rate of 6.75% and is paid on an annual basis.

Liabilities

General

The Delaware Department of Insurance contracted with INS Consultants, Inc. (INS) to perform an actuarial review of the Company's reserves. As of December 31, 2011, GLAC held reserves primarily for assumed fixed and indexed annuities and variable universal life insurance.

Certificate of Reserve Valuation

As part of the annual certificate of reserve valuation procedure, INS reviewed the December 31, 2011 General Account (GA) Exhibits 5 and 7 and Separate Accounts (SA) Exhibit 3 reserves and liabilities. During that process, GLAC's work papers supporting these reserves and liabilities were reviewed and found to be in order. The reconciliation work from that procedure has been relied upon for the current examination. The other balance sheet items within our examination scope were reconciled from work papers and valuation files provided by GLAC during the examination.

Asset Adequacy Analysis

The examination included a review of the asset adequacy testing (AAT) conducted as required by the Actuarial Opinion Memorandum Regulation (AOMR) for 2011. As a result of the AAT analysis performed, GLAC's appointed actuary concluded that no additional reserves were required as of December 31, 2011. This conclusion has been accepted by INS, subject to the recommendations and suggestions discussed in this report.

The AOMR indicates that the appointed actuary should address and include a description of specified items in the AOM. In INS' opinion, some of these items were not properly addressed in the 2011 AOM.

It is recommended that future AOMs should:

i. **Contain product descriptions, including market, underwriting and other aspects of a risk profile and the specific risks associated with the products that the appointed actuary deems significant.**

ii. **Include tables of interim book and market value of surplus for each year for each deterministic interest rate scenario.**

It is further recommended that future AOMs address the quality, adequacy, liquidity and suitability of the assets supporting all actuarial liabilities.

Data and Inclusion Testing

Data verification and inclusion testing was performed by validation of the “scrubbing” process performed by GLAC. All of GLAC’s business was either purchased or assumed from various companies. The ceding companies have sent or are sending seriatim data to GLAC for reserving and cash flow testing purposes. To verify the data is correct GLAC developed a “scrubbing” process. This process had not been fully documented or reviewed by GLAC’s auditors as of December 31, 2011. During the examination, the process was documented and subsequently reviewed by the examiners.

The process includes a comparison of seriatim files each month with reconciliation between the files and the actual transactions (premiums, deaths and surrenders) used for settlement payment. In addition, the credited interest rate is calculated for each contract and reviewed for reasonableness. The examiners determined that the scrubbing process was reasonable and no exceptions were noted.

Reserve/Liability Analysis

Reserves were reviewed by INS for compliance with Delaware’s standard valuation law, applicable National Association of Insurance Commissioners (NAIC) Actuarial Guidelines and Model Regulations. GLAC purchases or assumes blocks of business which consist mostly of deferred and indexed annuity products.

During the review of the Separate Account reserves, INS determined that GLAC held the account value as the CRVM reserve amount for the variable universal life business instead of reporting the associated CRVM allowance in Page 3, Line 10 of the Separate Account Annual Statement.

Reinsurance

INS reviewed the all assumed and ceded reinsurance contracts for proper risk transfer. No exceptions were noted. In addition, INS reconciled reinsurance ceded reserves from Exhibit 5 and Exhibit 7 to the Annual Statement Schedule. No exceptions were noted.

Conclusion

The balance sheet items reviewed appear fairly stated and calculated using valuation parameters which appear to be free of error, and valuation extract files appear to be complete. INS has concluded that the December 31, 2011 balance sheet items discussed below appear fairly stated and have been accepted for the purpose of this Report.

General Accounts

Note 6 - Aggregate reserve for life contracts (Net) $ 2,899,684,727

The above-captioned amount, which is the same as reported by the Company in its Annual Statement, is reported on Page 3, Line 1 and in Exhibit 5. The reserve breakdown in Exhibit 5, by type of benefit, is as follows:

Reserve Segment	Total Gross	Reinsurance Ceded	Total (Net)
Life Insurance	$ 0	$ 0	$ 0
Annuities	3,662,446,881	763,225,159	2,899,221,722
Supplementary Cons w/Life Cont.	14,997,680	14,534,675	463,005
Accidental Death Benefits	0	0	0
Disability - Active Lives	0	0	0
Disability - Disabled Lives	1,347	1,347	0
Miscellaneous Reserves	0	0	0
Totals (Net)	$3,677,445,908	$777,761,181	$2,899,684,727

General

INS performed the valuation review of GLAC's December 31, 2011 Exhibit 5 reserves and prepared the Certificate of Reserve Valuation. During that process, summary work and the Actuarial Opinion were reviewed and found to be in order. Reserves were reconciled from the summary work papers to Exhibit 5 with no exceptions being noted. Examination work performed on each of the Exhibit 5 segments is discussed below in further detail.

All of GLAC's business was either purchased or assumed from various companies as listed below:

Company	Type	Coin %	Treaty Date
Standard Life Insurance Company of Indiana (SLIC)	AP	N/a	2011
Bankers Life Insurance Company (BLIC)	RP	100%	7/1/2010
Employees Life Company (ELCO)	RP	100%	3/31/2010
Employees Life Company (ELCO)	RP	100%	9/30/2010
Midland National Life Insurance Company (MNL)	RP	100%	10/1/2009
North American Company for Life and Health (NACOLAH)	RP	100%	10/1/2009
North American Company for Life and Health (NACOLAH)	RP	90%	7/1/2010
Western Catholic Union (WCU)	RP	78%	12/31/2009
Western Catholic Union (WCU)	RP	80%	8/1/2010

Reinsured Policies (RP) - policies held under an indemnity reinsurance agreement

Assumed Policies (AP) - policies assumed and issued certificates of assumption

The primary cash flow risks associated with the Exhibit 5 business are asset default, interest rate volatility and mismatching of asset and liability cash flows. The ability of reserves to cover such risks is best evaluated by asset adequacy testing (AAT). An important examination focus was the review of the 2011 AOM. Based on that review, INS has accepted GLAC's conclusion that no additional actuarial reserves are required.

Note 6 - Annuities (Net) $ 2,899,221,722

The Exhibit 5, annuity reserve can be broken down as follows:

Product Segment	Total Gross	Rein Ceded	Total (Net)
Deferred Annuity - Direct	$ 934,433,520	$310,817,430	$ 623,616,090
Assumed Business			
Deferred Annuity - BLIC	$ 149,079,852	$ 0	$ 149,079,852
Deferred Annuity - ELCO	629,768,963	452,407,729	177,361,234
Deferred Annuity - MNL	571,488,740	0	571,488,740
Indexed Annuity - NACOLAH	604,164,200	0	604,164,200
Deferred Annuity - NACOLAH	474,695,964	0	474,695,964
Deferred Annuity - WCU	298,815,642	0	298,815,642
Assumed Subtotal	$2,728,013,361	$452,407,729	$2,275,605,632
Total	$3,662,446,881	$763,225,159	$2,899,221,722

Note 6 - Deferred annuities – Direct (Net) $ 623,616,090

GLAC values the deferred annuity (DA) business using the Commissioners Annuity Reserve Valuation Method (CARVM). INS reviewed the reserves for compliance with NAIC Actuarial Guidelines 33 (AG 33). Under AG 33, CARVM reserves must equal the greater of the cash surrender value and the greatest present value of future benefits under all possible benefit streams: annuitization, death and surrender.

INS identified specific reserve related risk factors for DA contracts consisting of the amount of the reserve as a percentage of account value and the existence of any guaranteed benefits. For most interest sensitive products, the maximum potential financial impact is the difference between the account value and the reserve since the account value is usually considered to be the reserve ceiling for such products.

A sample of contracts was selected in order to verify the calculation of reported reserves and compliance with minimum reserve requirements. The results of the Consulting Actuary's calculations for the sample produced no exceptions.

Additionally, GLAC provided the Reasonableness and Consistency of Assumptions Certification as required by Actuarial Guideline 35. INS reviewed the certification for compliance and no exceptions were noted.

Note 6 - Assumed annuities (Net) $ 2,275,605,632

The assumed business consists of deferred and indexed annuities. The various reserve amounts assumed from each company are shown in the table above. The deferred annuities from MNL and NACOLAH are comprised mostly of multi-year guaranteed annuities (MYGA) with guarantees ranging from 3 years to 10 years. The other fixed business reinsured from BLIC, ELCO, and WCU are deferred annuities crediting interest on a declared basis in excess of minimum interest guarantees ranging from 1.0% to 5.25%. The indexed annuities from NACOLAH consist of policies either indexed to one of several equity indices or in an account earning a fixed interest rate which is annually adjustable.

The ceding companies provide a seriatim listing of all business assumed by GLAC. GLAC performs a "scrubbing" process to validate the seriatim files for inclusion, data and reserves. GLAC calculates the reserves and compares them to the reserves provided by the ceding company. Any exceptions are researched and updated as required for compliance. In addition, each ceding company provides GLAC an actuarial opinion certifying the reserves.

Note 6 - Supplementary contracts with life contingencies (net) $463,005

This reserve represents supplementary contracts which are now in payout status which involve life contingencies (SCWLC) issued pursuant to individual. The gross reserve amount is $14,997,680. During the examination, valuation extract files and supporting work papers for the above reserves were reviewed and reserves were reconciled from the work papers and extract files supplied by GLAC to the appropriate Exhibit 5 items without exception.

INS selected a sample for reserve testing and independently calculated the reserve for each sample contract. INS' reserve compared favorably with the GLAC reported reserves for each contract. No exceptions were noted.

Note 6 - Disability - Disabled Lives (Net) $ 0

The Disability – Disabled reserve is held exclusively for disabled lives under life insurance contracts with waiver of premium provisions or riders. The gross reserve is $1,347 and is 100% ceded. GLAC workpapers supporting the above amounts were reviewed and found to be in order.

Note 6 - Reinsurance ceded $ 777,761,181

The following table shows a breakdown of the reinsurance ceded reserve credits taken by section within Exhibit 5 as of December 31, 2011:

Reserve Segment	Reinsurance Ceded
Life Insurance	$ 0
Annuities	763,225,159
Supplementary Contracts w/Life Cont.	14,534,675
Accidental Death Benefits	0
Disability - Active Lives	0
Disability - Disabled Lives	1,347
Miscellaneous Reserves	0
Totals (Net)	$777,761,181

GLAC had reinsurance ceded treaties with an Affiliate, Paragon Life Insurance Company, as of December 31, 2011. INS reconciled the Exhibit 5 total ceded reserve and the Exhibit 7 total ceded liability to the amount reported in Schedule S-Part 3-Section 1 (reinsurance ceded for life, annuity and deposit-type reserves and liabilities) in the December 31, 2011 Annual Statement. GLAC provided work papers supporting the ceded reserves. INS reviewed these work papers and reconciled them to the ceded reserve total. The reconciliation between the exhibits and schedule is as follows:

Annual Statement Exhibit	Ceded Reserve
Exhibit 5	$777,761,181
Exhibit 7	146,547,108
equals: Schedule S-Part 3-Section 1	$924,308,289

Note 7 - Aggregate reserve for accident and health contracts $ 62,581

The above-captioned amount, which is the same as reported by the Company in its Annual Statement, is reported on Page 3, Line 2 and in Exhibit 6 of GLAC's Annual Statement.

The reserve breakdown is as follows:

Active Life Reserve	Reserve Amount
Unearned Premium	$ 459
Additional Contract Reserves	51,048
Total (Gross and Net)	$ 51,507
Claim Reserve	
Present value of amounts not yet due	11,074
Grand Totals (Gross and Net)	$ 62,581

INS reconciled the reserves to the Annual Statement and reviewed the reserves for reasonableness with no exceptions being noted.

Note 8 - Liability for deposit-type contracts $ 1,005,378,851

The above-captioned amount, which is the same as reported by the Company in its Annual Statement, is reported on Page 3, Line 3 and in Exhibit 7 of GLAC's Annual Statement. The liability breakdown is as follows:

Product Segment	Total Gross	Reinsurance Ceded	Total (Net)
Guaranteed Interest Contracts	$ 968,493,883	$ 0	$ 968,493,883
Annuities Certain & Supp Cont.	152,187,888	146,279,086	5,908,802
Premium and Deposit Funds	31,244,188	268,022	30,976,166
Total	$1,151,925,959	$146,547,108	$1,005,378,851

GLAC provided an Excel file with the seriatim reserve information for each reserve type. INS reconciled the reserves to the Annual Statement without exception. The Guaranteed Interest Contracts (GIC) consists of nine contracts that are issued to the Federal Home Loan Bank of Indianapolis. The Annuities Certain and Supplementary Contracts are from Western Catholic Union (WCU) and Standard Life Insurance Company of Indiana (SLIC).

INS selected a sample of annuity certain contracts in order to verify the calculation of reported reserves and compliance with minimum reserve requirements. The results of INS' calculations for the sample contracts noted no exceptions.

For the GIC, INS reviewed the reserve calculation for all nine contracts and noted no exceptions. The premium and deposit liability is an accumulation of premiums and deposit and has no reserve calculation.

Note 9 - Life contract claims (Gross and Net) $ 4,868,142

The above-captioned amount, which is the same as reported by the Company in its Annual Statement, is reported on Page 3, Line 4.1 and in Exhibit 8, Part 1 of GLAC's Annual Statement and is entirely for claims in course of settlement (ICOS). The ICOS liability is an inventory item which does not require actuarial calculations.

Note 10 - Transfers to separate accounts due or accrued (Net) ($9,465,624)

The above-captioned amount, which is the same as reported by the Company in its Annual Statement, is reported on Page 3, Line 13 of GLAC's Annual Statement.

The primary components of this item consist of expense allowances resulting from the use of CRVM for the valuation of variable life contracts. Another component is accrued amounts payable to the GA and/or receivable from the GA. This item is required to mirror the Page 3, Line 17 insert of the Separate Accounts (SA) Annual Statement, “Total Liabilities (including $ . . . . . due or accrued net transfers to or (from) the General Account)”, but with the sign changed.

During the examination, INS confirmed that the liability was comprised of CRVM expense allowances ($9,412,501) and due or accrued ($53,123) contract charges.

Based on the above discussion, INS concluded that the GA Transfers to separate accounts as reported by GLAC on Page 3, Line 13 appear fairly stated. It has been accepted for the purpose of this report.

<u>SEPARATE ACCOUNTS</u>

Note 11 - Aggregate reserve for life, annuity and accident and health contracts **$ 467,894,223**

The above-captioned amount, which is the same as reported by the Company in its Annual Statement, is reported on Page 3, Line 1 and in Exhibit 3 of GLAC’s Separate Account Annual Statement and consists entirely of life insurance business. During the certificate of reserve valuation process, GLAC’s valuation files and work papers supporting the above amounts were reviewed and found to be in order. INS’ reconciliation work from that procedure has been relied upon for the current examination. The Actuarial Opinion was reviewed and found to be in order.

The Exhibit 3, life insurance reserves consist entirely of two variable universal life (VUL) contracts. Reserves for life policies in the SA statement represent contract owner funds held in various investments, such as mutual funds, which are made available to contract owners.

Reserves are calculated based on CRVM methodology. GLAC provided the reserve calculation for each contract. INS reviewed the reserve calculation and noted no exceptions.

It was noted however that GLAC used the account value and not the reserve amount ($458,534,845) in the Separate Account Statement but used the CRVM expense allowance in the General Account Statement.

It is recommended that the Company be consistent with the reporting between the Separate Account and General Account Statements.

Note 12 - Other transfers to general account due or accrued (net) $ 53,123

The above-captioned amount, which is the same as reported by the Company in its Annual Statement, is reported on Page 3, Line 10 of GLAC's Separate Account Annual Statement. However, the liability should have included the CRVM expense allowances of $9,412,501, (i.e., the difference between the account values and the associated reserves held in Exhibit 3 of the Separate Accounts Annual Statement). GLAC did however include the CRVM expense amount within the reserve reported on Line 1 of Page 3 (since they reported the account value as the reserve). Accordingly, there is no financial adjustment required. However;

It is recommended that the Company report the CRVM expense allowance on Line 10 of its filed Annual Statement.

The CRVM expense allowance was verified as the difference between the aggregate VUL SA account values and the corresponding SA reserves.

Based on the above discussion and analysis, INS concluded that the Other Transfers to General Account Due or Accrued (Net) as reported on Page 3, Line 10 appear reasonable in conjunction with the amount stated in Line 1 shown above. It has been accepted for the purpose of this report.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

This was the first financial examination by the Delaware Department of Insurance; therefore there are no prior examination recommendations.

SUMMARY OF RECOMMENDATIONS

The Company's attention is directed to the following:

1. It is recommended that future AOMs should:

   i. Contain product descriptions, including market, underwriting and other aspects of a risk profile and the specific risks associated with the products that the appointed actuary deems significant.

   ii. Include tables of interim book and market value of surplus for each year for each deterministic interest rate scenario.

   It is further suggested that future AOMs address the quality, adequacy, liquidity and suitability of the assets supporting all actuarial liabilities (Note 6).

2. It is recommended that the Company be consistent with the reporting between the Separate Account and General Account Statements (Note 11).

3. It is recommended that the Company report the CRVM expense allowance on Line 10 of its filed Annual Statement (Note 12).

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, 2006	December 31, 2011	Increase (Decrease)
Assets	$ 21,167,595	$ 5,908,220,105	$ 5,887,052,510
Liabilities	4,324,278	5,595,451,523	5,591,127,245
Special Surplus Funds	-	-	-
Common Capital Stock	2,750,000	2,750,000	-
Gross Paid In and Contributed Surplus	6,750,000	265,000,000	258,250,000
Unassigned Funds (Surplus)	7,343,317	45,018,582	37,675,265
Total Surplus as Regards Policyholders	$ 16,843,317	$ 312,768,582	$ 295,925,265
Totals	$ 21,167,595	$ 5,908,220,105	$ 5,887,052,510

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc., is acknowledged. In addition, the assistance and cooperation of the Company's outside audit firm, PwC, and the Company's management and staff were appreciated and are acknowledged.

Respectfully submitted,

Don Hollier, CFE
Examiner-In-Charge
State of Delaware