EXAMINATION REPORT

OF

THE GUARDIAN INSURANCE AND ANNUITY COMPANY, INC.

AS OF

DECEMBER 31, 2015

Trinidad Navarro
Commissioner

Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2015 of

THE GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

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

Attest By: ______________________

Date: June 2, 2017

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 2nd day of June, 2017.

____
Trinidad Navarro
Insurance Commissioner

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Trinidad Navarro
Commissioner

Delaware Department of Insurance

REPORT ON EXAMINATION

OF

THE GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

AS OF

DECEMBER 31, 2015

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

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

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

Trinidad Navarro
Insurance Commissioner

Dated this 2nd day of June, 2017

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TABLE OF CONTENTS

SALUTATION

May 19, 2017

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 16.027, dated March 30, 2016, an examination has been made of the affairs, financial condition and management of

THE GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

with its statutory home office located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The examination was conducted at the principal administrative offices of The Guardian Life Insurance Company of America located at 7 Hanover Square, New York, New York 10004. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of The Guardian Insurance & Annuity Company, Inc. (the "Company"). The last examination of the Company covered the period of January 1, 2008 through December 31, 2011. This examination of the Company covers the period of January 1, 2012 through December 31, 2015. Our examination was conducted concurrently with our examination of the Company's affiliate, Park Avenue Life Insurance Company.

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 evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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

This examination report includes significant findings of fact, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers, LLP. Certain auditor work papers have been incorporated into the examination work papers.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes to the Company's financial statements as a result of this examination.

COMPANY HISTORY

General

The Company was originally incorporated on March 2, 1970, under the laws of the State of Delaware as a stock life insurance company authorized to transact the business of life, health, credit life, credit health, variable annuities and variable life insurance. The Company was founded by The Guardian Life Insurance Company of America ("The Guardian") and remains its wholly owned subsidiary. The Guardian and its subsidiaries provide financial services throughout the United States including a full range of insurance, investment, securities brokerage, and other financial products and services. Principal products and services include: individual life and disability insurance; group life and health insurance; annuities; mutual funds; pension and retirement related investments and administration; and asset management and securities brokerage. Historically, The Guardian has predominately utilized the Company to market and underwrite variable deferred annuity contracts; fixed deferred and immediate annuity contracts; variable life insurance policies; and Group 401(k) products.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 20 thousand shares of common stock with a par value of $125 per share. As of December 31, 2015, the Company had 20 thousand common shares issued and outstanding totaling $2.5 million in common capital stock. All outstanding common shares of the Company are owned by The Guardian. As of

December 31, 2015, the Company reported gross paid-in and contributed surplus of $381.5 million. The following chart summarizes the Company's reported capital stock and gross paid-in and contributed surplus from the prior examination date to December 31, 2015.

	Capital Stock		Gross Paid-in & Contributed Surplus	Total Capital Stock and Gross Paid-in & Contributed Surplus
December 31, 2011	$ 2,500,000		$ 174,500,000	$ 177,000,000
Activity	-		207,000,000	207,000,000
December 31, 2015	$ 2,500,000	{1}	$ 381,500,000	$ 384,000,000

{1}: Subsequent to the examination period, the Company received gross paid-in and contributed surplus in the amount of $100 million from The Guardian on December 16, 2016.

Dividends

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

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the business and affairs of the Company must be exercised by, or under the authority of, its Board of Directors. The Company's bylaws require its Board of Directors consist of not less than three members. Directors are elected annually by the sole shareholder for a term of one year. Directors duly elected and serving as of December 31, 2015, are as follows:

Name	Business Affiliation
Marc Michel Costantini	Executive Vice President and Chief Financial Officer The Guardian Life Insurance Company of America
Michael Slipowitz	Senior Vice President, Corporate Chief Actuary and Chief Risk Officer The Guardian Life Insurance Company of America

Michael Bernard Cefole	President The Guardian Insurance & Annuity Company, Inc.
Donald Paul Sullivan, Jr.	Senior Vice President Agency Distribution The Guardian Life Insurance Company of America

Officers

Officers were appointed in accordance with the Company's bylaws during the period under examination. The bylaws require appointment of the following officers: a President, a Vice President, a Secretary and a Treasurer. The Board may appoint other officers and agents at its discretion. Any number of offices may be held by the same person. The primary officers of the Company as required by the bylaws and as reported as of December 31, 2015, are as follows:

Name	Title
Tracy Leon Rich	Executive Vice President and General Counsel
Michael Bernard Cefole	President and Chairman of the Board
Gordon Ivor Bailey	Senior Vice President and Chief Financial Officer
Sonya Lee-Anne Crosswell	Director and Corporate Secretary
Walter Robert Skinner	Vice President and Treasurer
Richard Thomas Potter, Jr.	Senior Vice President, Counsel and Assistant Corporate Secretary
Linda Ellen Senker	Vice President and Chief Compliance Officer
Michael Slipowitz	Senior Vice President and Corporate Chief Actuary
Thomas George Sorell	Executive Vice President and Chief Investment Officer

Corporate Records

The recorded minutes of the sole shareholder and Board of Directors were reviewed for the period under examination. The minutes adequately documented and approved the Company's transactions and events, including approval of investment transactions in accordance with 18 Del. C. §1304.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 Del. C. §5001 (6) of the Delaware Insurance Code. The Company is a wholly owned subsidiary of The Guardian, which is a mutual insurance company that is wholly owned by its policyholders. The following is an abbreviated organizational chart depicting the Company's primary relationships with affiliated entities within the holding company system as of December 31, 2015:

Company	Domicile	% Own
The Guardian Life Insurance Company of America	New York	
The Guardian Insurance & Annuity Company, Inc.	Delaware	100%
Park Avenue Securities, LLC	Delaware	100%
Hanover Square Funding, LLC	Delaware	100%
Guardian Investor Services, LLC	Delaware	100%
Park Avenue Institutional Advisors, LLC	Delaware	100%
RS Investment Management Company, LLC	Delaware	94%
RS Funds Distributor, LLC	Delaware	100%

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

Park Avenue Securities, LLC ("PAS") is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation ("SIPC"). PAS is also a registered investment adviser under the Investment Advisers Act of 1940. Effective March 31, 2015, PAS assumed the role of distributor and principal underwriter of the Company's variable products in accordance with an affiliated agreement. This role was previously held by Guardian Investor Services, LLC.

Hanover Square Funding, LLC ("HSF") was founded in 2014 to facilitate a new program designed to assist with the sale and transition of certain The Guardian general agencies to successors. HSF is used by The Guardian to provide loans to entities established as a

Corporation or Limited Liability Company for the purpose of acquiring a general agency within The Guardian exclusive agent workforce.

Guardian Investor Services, LLC ("GIS") operated as the distributor and principal underwriter for the Company's variable products from August 23, 1985 to March 31, 2015 in accordance with an affiliated agreement. Additionally, GIS and its subsidiaries provide various other advisory services to the Company and affiliates related to the RS Mutual Fund Family ("RS Funds"). The RS Funds are offered to the Company's variable product contract holders as investment options in the Company's separate accounts.

RS Investment Management Company LLC ("RS Investments"), a majority owned subsidiary of GIS, has various investment advisory agreements to serve as the primary investment adviser to the RS Funds. GIS served as the sole distributor of the RS Funds and a sub-adviser to certain RS funds until the agreements were terminated and replaced effective May 31, 2014 and April 30, 2015, respectively. Thereafter, RS Funds Distributor ("RSFD") began serving as the sole distributor of the RS Funds, and Park Avenue Institutional Advisers, LLC ("PAIA") began serving as the sub-adviser to certain RS funds effective June 1, 2014, and May 1, 2015, respectively. Subsequent to the examination period, The Guardian sold its equity investment in RS Investments to an unaffiliated third-party effective July 29, 2016. As a result of this sale, each of the RS funds was recognized into a corresponding newly-formed fund within the acquirers' family of funds. In connection with this sale, RS Investments, RSFD and PAIA transferred by novation all its rights and obligations to the acquirer.

<u>Affiliated Agreements</u>

- <u>Tax Allocation Agreement</u> - Effective July 19, 2001, and covering all tax years after December 31, 1982, the Company became party to a 'Tax Sharing Agreement' between

The Guardian and its specified subsidiaries. In accordance with the agreement, each qualifying member of the group computes its tax provision and liability on a separate return basis, but may, where applicable, recognize benefits of net operating losses and capital losses utilized in the consolidated group. Subsidiary tax liabilities/benefits are settled subsequent to the filing of the federal income tax return.

- General Operating Expense Agreement – Effective December 31, 2007, the Company entered into an ‘Amended and Restated Agreement for Services and Reimbursement Agreement’ with The Guardian and its subsidiaries. The agreement supersedes all prior agreements for the provision of services and reimbursement between The Guardian and all other parties to the agreement. In accordance with the agreement, The Guardian provides office space, furniture, equipment, building utilities, clerical staff, employee benefits and any other services including but not limited to policy services, consulting services and advisory services. The agreement authorizes The Guardian to enter other agreements to provide assets or services on behalf of all parties. Expenses are allocated to the parties based on a direct basis or through an allocation system developed by The Guardian's cost accounting department utilizing assets, head count or overhead information. The agreement requires settlement within forty-five days following the end of each quarter and permits payment by offset.
- Commission Based Selling Agreement – Effective March 31, 2015, the Company and Park Avenue Securities, LLC entered into a ‘Distribution and Service Agreement.’ In accordance with the agreement, PAS was appointed as the distributor and principal underwriter for the sale of the Company’s annuity products. The agreement authorizes PAS to enter into separate agreements with unaffiliated broker-dealers to participate in

the distribution of the Company’s annuity products. Prior to this agreement, GIS had served as the distributor and principal underwriter of the Company’s variable products since August 23, 1985, and PAS had served as a secondary underwriter of certain variable products since April 15, 1999.

- <u>Administrative Services Agreement</u> – Effective December 1, 2015, the Company and RS Funds Distributor, LLC entered a ‘Services Agreement’ related to certain series of RS Funds. In accordance with the agreement, the Company provides RSFD services including maintenance of books and records, purchase orders, redemption orders, fund related contract owner services and other administrative support. In return, RSFD pays the Company a fee based on the average daily net assets invested in the Funds within each of the Company’s separate accounts. The agreement replaces several predecessor agreements between the Company and GIS including: 1.) the Amended and ‘Restated Administrative Services Agreement’ effective May 1, 2015, and terminated effective November 24, 2015; 2.) the ‘Administrative Services Agreement’ effective March 1, 2010, and terminated and replaced effective May 1, 2015; and 3.) The ‘Administrative Services Agreement,’ which also included RS Investments, LLC as party to the agreement, originally effective December 31, 2006, and terminated and replaced March 1, 2010. Subsequent to the examination period, the agreement was novated to Victory Capital Management, Inc., a third-party, in connection with The Guardian’s sale of RS Investment Management Company, LLC effective July 29, 2016.

- <u>Reimbursement Agreement</u> – Effective March 1, 2010, the Company and GIS entered into a ‘Reimbursement Agreement’ pertaining to Guardian Baillie Gifford, Ltd.’s (“GBG”), role as the sole investment sub-advisor to certain RS Funds and GIS’s role as administrator and distributor of the same RS Funds. GBG was a majority owned subsidiary of the Company prior to its dissolution in 2015. In accordance with the agreement, the Company agreed to reimburse GIS for a portion of dividends received from GBG each year. The reimbursement is based on dividends received attributable to shares of the specified RS Funds that are not offered through the Company's separate accounts and for which the Company does not provide administrative services. The Agreement was terminated effective November 5, 2015.

- <u>Loan Commitment</u> – In 2014, the Company made a loan commitment in the amount of $20 million to Hanover Square Funding, LLC. Draw downs in the amount of $3.6 million and $15.7 million were made in 2015 and 2014, respectively. The total outstanding was repaid by HSF to the Company on May 29, 2015. Subsequent to the examination period, the Company and HSF entered into a revolving line of credit agreement with a maximum aggregate principal amount of $50 million effective March 1, 2016.
- <u>Line of Credit</u> – Originally effective September 1, 2012, the Company and The Guardian entered into a revolving Line of Credit agreement in favor of the Company for a maximum aggregate principal amount $100 million. The agreement was amended effective May 1, 2014, May 21, 2015 and December 3, 2015, to increase the maximum aggregate principal amount to $225 million, $300 million and $350 million, respectively. The agreement bears interest at a rate specified in the agreement and requires an annual commitment fee as specified in the agreement. The agreement has an initial term of 364 days and renews for successive periods of 364 days until terminated by The Guardian, subject to the terms of the agreement. Subsequent to the examination period, the

agreement was amended to increase the maximum aggregate principal amount to $750 million effective May 1, 2017.

TERRITORY AND PLAN OF OPERATION

Products

As of December 31, 2015, the Company was licensed to conduct life and health insurance business in all fifty states and the District of Columbia. The Company's primary business is the sale of individual annuity contracts. The following is a summary of the Company's gross premium and annuity considerations by product class for the year-ended December 31, 2015:

Product Class	Premium and Annuity Considerations	% of Total Premium and Annuity Considerations
Variable annuities	$ 805,920,527	46.9%
Fixed annuities	505,346,950	29.4%
Total Individual Annuity Considerations	$ 1,311,267,477	76.4%
Individual life	37,283,593	2.2%
Group pension	368,682,140	21.5%
Group - other	140,266	0.01%
Total Premium and Annuity Considerations	$ 1,717,373,476	100%

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

The Company has marketed and sold various variable annuity products historically, but only four variable annuity products were actively sold as of December 31, 2015. Variable insurance contracts are deemed to be securities under federal law and sales of these products are subject to regulation by the Securities and Exchange Commission and the National Association of Securities Dealers. The Company has seventeen insurance separate accounts to support certain variable and group annuity and life insurance products sold. The majority of the separate accounts are unit investment trusts registered under the Investment Company Act of 1940. Proceeds from the sale of variable products are invested through these separate accounts into certain mutual funds specified by the contract holders. The separate accounts invest in various registered mutual funds and non-registered collective investment funds managed by an affiliated company, as well as unaffiliated third-parties. At December 31, 2015, approximately 21% of the Company's separate accounts assets are invested in affiliated mutual fund offerings that are advised and sub-advised by affiliates.

The Company issues various guaranteed living benefit riders associated with certain of its variable annuity contracts including: Guaranteed Minimum Withdrawal Benefits (“GMWB”), Guaranteed Minimum Income Benefit ("GMIB") and Guaranteed Minimum Accumulation Benefit (“GMAB”). In recent years, the primary living benefit rider marketed and sold has been the GMWB rider, which was introduced in April of 2005 as a feature to protect the contract owner against declining equity markets. For the year-ended December 31, 2015, approximately 84% of variable annuity products sold included a GMWB rider. Reserves associated with the living benefit riders are held in the Company’s General Account as miscellaneous reserves.

The Company’s Group product sales consist of group variable annuity products and funding agreements designed specifically to fund retirement plans that qualify under Section 401(a) of the Internal Revenue Code of 1986. These include 401(k), profit sharing, money purchase, 401(k) SIMPLE, target benefit, and defined benefit plans. Subsequent to the examination period, the Company sold this block of business and discontinued marketing these products and related services effective September 1, 2016.

Product Distribution

The Company's variable products are predominately sold by either registered sales representatives of its affiliated broker-dealer or registered sales representatives of unaffiliated broker-dealer firms that have entered into sales agreements with the Company or its affiliated principal distributor. Meanwhile, fixed annuity products are distributed through affiliated and unaffiliated broker-dealers as well as select outside broker-dealers through a direct distribution arrangement. Affiliated broker-dealer sales representatives are also licensed insurance agents within The Guardian exclusive agent workforce. The following is a summary of the Company's individual annuity considerations by distribution channel for the year-ended December 31, 2015:

	Variable Annuities		Fixed Annuities	Total
Guardian Channel thru Wholesaling				
Park Avenue Securities, LLC	$ 716,708,685		$ 103,210,766	$ 819,919,451
Outside Broker Dealers	89,211,842		69,984,399	159,196,241
Total Guardian Channel thru Wholesaling	$ 805,920,527		$ 173,195,165	$ 979,115,692
Direct Distribution				
All Outside Broker-Dealers - Single Premium Immediate Annuity	$ -		$ 251,298,397	$ 251,298,397
All Outside Broker-Dealers - Deferred Income Annuity	-		80,853,388	80,853,388
Total Direct Distribution	$ -	{1}	$ 332,151,785	$ 332,151,785
Total Annuity Considerations	$ 805,920,527		$ 505,346,950	$ 1,311,267,477

{1}: For the year-ended December 31, 2015, a single unaffiliated broker-dealer produced approximately 49.7% of the Company's total fixed annuity considerations through a direct distribution arrangement.

In addition to broker-dealer originated sales, the Company may also market and sell certain products through The Guardian's exclusive agent workforce. As of year-end 2015, The Guardian had 95 General Agencies ("GA's") throughout the United States, with 2,996 Field Representatives who are assigned to GA's and contracted with and appointed by The Guardian. Each GA operation has exclusive affiliation with Guardian, although many do not advertise their corporate name as a Guardian agency. GA's may sell a product of another company if a product is not offered by The Guardian or one of its subsidiaries.

REINSURANCE

The Company enters into coinsurance, modified coinsurance and yearly renewable term agreements with The Guardian and other third-parties to provide for reinsurance of selected variable annuity contracts and group life and individual life policies. The following is a summary of the Company's gross and net premium for the year-ended 2015 and gross and net reserves as of December 31, 2015:

Gross and Net Premium Summary		Gross and Net Reserve Summary	
Direct premium and annuity considerations	$ 1,717,373,476	Gross contract reserves	$ 3,228,945,602
Reinsurance ceded to affiliates	32,416,436	Ceded to affiliates	164,986,164
Reinsurance ceded to non-affiliates	6,307,752	Ceded to non-affiliates	6,869,469
Total ceded	38,724,188	Total ceded	171,855,633
Net premium and annuity considerations	$ 1,678,649,288	Net contract reserves	$ 3,057,089,969

The majority of the affiliated reinsurance program relates to coverage for variable life insurance products issued by the Company including individual life policies with secondary guarantees issued prior to 2011, secondary guarantee flexible premium universal life issued after 2011 and variable universal life policies. The Company generally cedes 90% of the associated risk to The Guardian on a combination coinsurance/modified coinsurance or yearly renewable term basis in accordance with the specified coverage and limitations of each agreement.

The majority of the unaffiliated reinsurance program relates to reinsurance coverage for guarantees associated with certain living benefit riders embedded in the Company's variable annuity products. The reinsurance covers certain living benefit riders issued prior to December

31, 2008. Beginning in 2009, the Company expanded its hedging program in place of a continued reinsurance program to mitigate the risk associated with the variable annuity living benefit riders.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Delaware Department of Insurance and present the financial condition of the Company for the period ending December 31, 2015:

- Statement of Assets
- Statement of Liabilities, Capital and Surplus
- Statement of Operations
- Reconciliation of Capital and Surplus

Statement of Assets
As of December 31, 2015

	Ledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 2,761,909,053	$ -	$ 2,761,909,053	1
Mortgage loans on real estate - first liens	227,085,152	-	227,085,152	2
Cash	(11,636,806)	-	(11,636,806)	
Cash equivalents	2,199,633	-	2,199,633	1
Short-term investments	41,545,447	-	41,545,447	1
Contract loans	121,535,407	-	121,535,407	
Other invested assets	31,727,912	-	31,727,912	
Receivables for securities	10,570,053	-	10,570,053	
Investment income due and accrued	29,782,504	-	29,782,504	
Uncollected premiums and agents' balances in the course of collection	(3,132,860)	2,952	(3,135,812)	
Deferred premiums agents' balances and installments not yet due	117,521	-	117,521	
Amounts recoverable from reinsurers	297,000	-	297,000	
Funds held by or deposited with reinsured companies	68,536	-	68,536	
Other amounts receivable under reinsurance contracts	28,519	-	28,519	
Net deferred tax asset	69,399,855	55,233,263	14,166,592	
Guaranty funds receivable or on deposit	618,164	-	618,164	
Receivables from parent, subsidiaries and affiliates	790,279	-	790,279	
Other amounts receivable	801,523	-	801,523	
Aggregate write-ins for other than invested assets	23,810,691	2,245,803	21,564,888	
Total assets excluding Separate Accounts	$ 3,307,517,583	$ 57,482,018	$ 3,250,035,565	
From Separate Accounts	$ 12,633,382,304	$ -	12,633,382,304	3
Total assets	$ 15,940,899,887	$ 57,482,018	$ 15,883,417,869	

Statement of Liabilities, Capital and Surplus
As of December 31, 2015

		Notes
Aggregate reserve for life contracts (including $402,953,150 Modco reserve)	$ 3,057,089,969	4
Liability for deposit-type contracts	33,436,907	
Life Contract Claims	1,007,623	
Premiums and annuity considerations for life contracts received in advance	1,407	
Other amounts payable on reinsurance	4,102,750	
Commissions to agents due or accrued	3,931,714	
General expenses due or accrued	27,687	
Transfers to Separate Accounts due or accrued (net)	(287,294,683)	
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,330,543	
Current federal and foreign income taxes	3,550,505	
Unearned investment income	556,178	
Amounts withheld or retained by company as agent or trustee	1,055,268	
Remittances and items not allocated	15,642,696	
Borrowed money and interest thereon	105,446,910	5
Asset valuation reserve	21,013,845	
Payable to parent, subsidiaries and affiliates	15,347,691	
Payable for securities	8,068,440	
Aggregate write-ins for liabilities	8,175,104	
Total liabilities excluding Separate Accounts	$ 2,993,490,554	
From Separate Accounts statement	$ 12,630,165,229	3
Total liabilities	$ 15,623,655,783	
Common capital stock	$ 2,500,000	
Gross paid in and contributed surplus	381,500,000	
Unassigned funds (surplus) (including $3,217,075 in Separate Accounts Statement)	(124,237,914)	
Totals of common stock and surplus	$ 259,762,086	
Totals of liabilities; common stock and surplus	$ 15,883,417,869	

Statement of Operations
For the Year Ended December 31, 2015

		Notes
Premium and Other Revenue:		
Premiums and annuity considerations for life contracts	$ 1,678,649,288	
Net investment income	97,481,441	
Amortization of Interest Maintenance Reserve	1,323,792	
Separate Accounts net gain from operations excluding unrealized gains or losses	1,107,478	
Commissions and expense allowances on reinsurance ceded	5,180,342	
Reserve adjustments on reinsurance ceded	(26,716,717)	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	265,885,215	6
Charges and fees for deposit-type contracts	848	
Aggregate write-ins for miscellaneous income	46,420,655	
Totals	$ 2,069,332,342	
Benefits:		
Death benefits	$ 9,290,428	
Annuity benefits	391,599,802	
Disability benefits and benefits under accident and health contracts	37,408	
Surrender benefits and withdrawals for life contracts	872,483,869	
Interest and adjustments on contract or deposit-type contract funds	1,077,244	
Increase in aggregate reserves for life and accident and health contracts	447,381,112	
Total benefits	$ 1,721,869,863	
Other Expenses		
Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only)	$ 109,270,355	
General insurance expenses	136,610,491	
Insurance taxes, licenses and fees, excluding federal income taxes	12,614,674	
Increase in loading on deferred and uncollected premiums	(5,234)	
Net transfers to or (from) Separate Accounts net of reinsurance	66,288,840	
Aggregate write-ins for deductions	196,565	
Totals other expenses	$ 324,975,691	
Net gain from operations before federal income taxes and capital gains (losses)	$ 22,486,788	
Federal and foreign income taxes incurred (benefit)	(29,303,502)	
Net realized capital gains (losses)	(75,421,097)	7
Net income (loss)	$ (23,630,807)	

Reconciliation of Capital and Surplus for the Period from the Prior Examination
as of December 31, 2011 to December 31, 2015
(In Thousands)

		Common Capital Stock	Gross Paid-in & Contributed Surplus	Aggregate Write-ins for Special Surplus Funds	Unassigned Funds (Surplus)	Total
December 31, 2011		$ 2,500	$ 174,500	$ 7,911	$ 68,870	$ 253,782
2012 Net income (loss)		-	-	-	(28,944)	(28,944)
2012 Change in capital stock and paid-in surplus	(2)	-	8,000	-	-	8,000
2012 Changes in capital & surplus	(1)	-	-	(7,911)	(9,830)	(17,741)
December 31, 2012		$ 2,500	$ 182,500	$ -	$ 30,096	$ 215,096
2013 Net income (loss)		-	-	-	(82,519)	(82,519)
2013 Change in capital stock and paid-in surplus	(2)	-	93,000	-	-	93,000
2013 Changes in capital & surplus	(1)	-	-	-	(44,659)	(44,659)
December 31, 2013		$ 2,500	$ 275,500	$ -	$ (97,081)	$ 180,919
2014 Net income (loss)		-	-	-	(399)	(399)
2014 Change in capital stock and paid-in surplus	(2)	-	56,000	-	-	56,000
2014 Changes in capital & surplus	(1)	-	-	-	(9,335)	(9,335)
December 31, 2014		$ 2,500	$ 331,500	$ -	$ (106,815)	$ 227,185
2015 Net income (loss)		-	-	-	(23,631)	(23,631)
2015 Change in capital stock and paid-in surplus	(2)	-	50,000	-	-	50,000
2015 Changes in capital & surplus	(1)	-	-	-	6,208	6,208
December 31, 2015		$ 2,500	$ 381,500	$ -	$ (124,238)	$ 259,762

(1): Changes in Capital & Surplus for each year may include: change in net unrealized capital gains (losses), change in net unrealized foreign exchange capital gain (loss), change in net deferred income tax, change in non-admitted assets, change in Asset Valuation Reserve, other changes in surplus in Separate Account Statement and Aggregate write-ins for gains and losses in surplus.

(2): The Company received a total of $381.5 million from The Guardian as gross paid-in and contributed surplus during the examination period as follows:

- For the year ended December 31, 2015, the Company received a total of $50 million from The Guardian as additional paid-in and contributed surplus. The Company provided HSF a $5 million capital contribution and a $3.6 million draw down on a $20 million loan commitment issued in 2014.
- For the year ended December 31, 2014, the Company received a total of $56 million from The Guardian as additional paid-in and contributed surplus. Of the total received, $16 million was transferred to PAS as a capital contribution. The Company also provided an initial capital contribution to HSF in the amount of $5 million and a $15.7 million draw down on a newly issued $20 million loan commitment.
- During 2013, the Company received a total of $93 million from The Guardian as additional paid-in and contributed surplus. Of the total, $50 million was a non-cash

settlement to reduce the outstanding affiliated line of credit with The Guardian, $35 million cash was used to rebalance fixed product portfolios and $8 million cash was transferred to PAS as a capital contribution.

- During 2012, the Company received $8 million from The Guardian as additional paid-in and contributed surplus. The amount received was transferred to PAS as a capital contribution.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Schedule D – Bonds	**$ 2,761,909,053**
Schedule DA – Short-term Investments	**41,545,447**
Schedule E – Cash Equivalents	**2,199,633**
Total Bonds	**$ 2,805,654,133**

As of December 31, 2015, the Company reported total bond investments on Schedule D – Part 1 with book adjusted carrying value of $2.8 billion, which was $30.1 million greater than the total fair market value of $2.7 billion. The Company reported an additional $43.7 million in United States Treasury bills on Schedule DA – Short-Term Investments and Schedule E – Part 2 – Cash Equivalents. As of December 31, 2015, total bonds were comprised of the following classes:

Schedule D - Bonds:	Book Value	% of Book Value	Fair Value
Industrial and Miscellaneous - Issuer Obligations	$ 2,501,382,792	89.2%	$ 2,469,831,111
Industrial and Miscellaneous - Commercial Mortgage-Backed Securities	152,852,697	5.4%	152,157,783
U.S. Government Bonds - Issuer Obligations	72,931,281	2.6%	73,537,761
Industrial and Miscellaneous - Other Loan-Backed & Structured Securities	14,124,365	0.5%	14,233,376
U.S. Special Revenues - Issuer Obligations	11,351,979	0.4%	12,480,051
U.S. State, Territories & Possessions - Issuer Obligations	5,605,240	0.2%	5,682,235
All Other	3,660,699	0.1%	3,872,122
Total Schedule D - Bonds	$ 2,761,909,053	98.4%	$ 2,731,794,439
Schedule DA - Short Term Bonds:			
United States Treasury Bills	$ 41,545,447	1.5%	$ 41,545,447
Schedule E - Cash Equivalents:			
United States Treasury Bills	$ 2,199,633	0.1%	$ 2,199,633
Total Bonds	$ 2,805,654,133	100%	$ 2,775,539,519

Of the Company’s total bond holdings, 58.8% were categorized as Class 1 with respect to NAIC credit quality standards. NAIC Class 2 bonds represented 38.1% of total bonds. NAIC Class 3 bonds were 2.8% of total bonds. The remaining holdings were NAIC Class 4 and 5 and accounted for 0.3% of total bonds. Of the total bond holdings, 81.8% were publicly traded securities and 18.2% were private placements. The Company segments its portfolio as part of its asset and liability matching program. As of December 31, 2015, bond maturities were structured with 6.3%, 39.4%, 24.4%, 8.9%% and 20.9% maturing in less than one year, one to five years, five to ten years, ten to twenty years and over twenty years, respectively.

Note 2:
Schedule D – Mortgage Loans on Real Estate - First Lien $ 227,085,152

The Company's investments in mortgage loans on real estate consist principally of loans on commercial and cooperative residential real estate properties. The largest concentrations of commercial real estate mortgage loans are for properties located in California and Massachusetts

($69 million and $35 million, respectively) at December 31, 2015. The Company estimates the fair value of mortgage loans on real estate to be $231 million at December 31, 2015. Fair value was determined based upon the present value of the scheduled future cash flows of each loan based on the average term to maturity discounted at the appropriate U.S. Treasury rate, adjusted for the current market spread for a similar quality mortgage. The minimum and maximum ranges of lending rates on new mortgage loans were between 3.4% and 4.3% originated during 2015. The maximum percentage of any single mortgage loan to the value of the security originated in 2015 was 65.7%. Management monitors its mortgage loan portfolio on an ongoing basis for events or circumstances that could indicate that it will not receive all of its contractually due principal and interest payments in accordance with the loan agreements. In May and November of each year, the entire portfolio is screened based on debt service coverage, loan to value ratio, delinquency over 90 days and if there are indications that balloon payments due at maturity will not be made, to determine if any other than temporary impairments might need to be recorded.

Note 3:

Separate Account Statement Assets	**$ 12,633,382,304**
Separate Account Statement Liabilities	**12,630,165,229**
Net Separate Account Assets & Liabilities (Surplus)	**$ 3,217,075**

The Company has seventeen insurance separate accounts to support certain variable and group annuity and life insurance products that it sells. The majority of the Company's separate accounts are unit investment trusts registered under the Investment Company Act of 1940. For the year ended December 31, 2015, the Company reported separate account assets and liabilities from the following product lines:

Product	Legally Insulated Assets
Individual variable annuities	$ 9,249,148,943
Variable life insurance products	487,645,202
Group variable annuities and group variable funding agreements for qualified retirement plans	2,896,588,159
Total Separate Accounts statement assets	$ 12,633,382,304

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.

Note 4:
Aggregate Reserves for Life and Annuity Contracts $ 3,057,089,969

As of December 31, 2015, the Company reported total gross, ceded and net General Account reserves by reserve segment as follows:

Reserve Segment		Gross Reserves	% of Total Gross Reserves	Reinsurance Ceded	% of Total Reinsurance Ceded	Net Reserves	% of Total Net Reserves
Annuities		$ 2,726,540,962	84.4%	$ -	-	$ 2,726,540,962	89.2%
Life insurance	{1}	306,338,363	9.5%	133,870,701	77.9%	172,467,662	5.6%
Miscellaneous reserves	{2}	192,499,766	6.0%	34,877,228	20.3%	157,622,538	5.2%
Disability and accidental death		3,566,511	0.1%	3,107,704	1.8%	458,807	0.02%
Total		$ 3,228,945,602	100%	$ 171,855,633	100%	$ 3,057,089,969	100%

{1}: Life insurance reserves consist of reserves for products including: variable life insurance, variable universal life insurance, universal life insurance and group universal life insurance. The majority of the gross reserve in the amount of $198.7 million relate to the universal life product consisting of fixed individual flexible premium contracts with secondary guarantees. The universal life product is essentially a closed block with minimal policies issued during the

examination period. Several product variations of the variable life insurance product represent $79.9 million in total gross life insurance reserves. All variable life insurance products are closed blocks of business. The remainder of the gross life insurance reserve relates to variable universal life insurance and group universal life insurance at $16.9 million and $10.8 million, respectively.
{2}: Miscellaneous reserves include $93.0 million in Asset Adequacy Reserve for fixed annuities, $57.9 million for Standard Scenario excess over Basic Reserve in accordance with AG 43, $38.0 million in premium deficiency reserves attributable to universal life contracts with secondary guarantees and $3.6 million in various other miscellaneous reserves.

INS Consultants, Inc. ("Consulting Actuary") assisted in review of the inherent risks, management oversight and other mitigating controls over the Company's actuarial processes and procedures. The Consulting Actuary performed an independent reserve analysis including an assessment of the Company's General Account and Separate Account reserves for compliance with standard valuation laws, applicable NAIC Actuarial Guidelines and Model Regulations. The Consulting Actuary also reviewed the Company's asset adequacy analysis filed in accordance with the Actuarial Opinion Memorandum Regulation, and the Company's Memorandum in Support of Actuarial Guideline XLIII ("AG 43") for the year ended December 31, 2015. The Consulting Actuary determined the Company complied with all requirements and the reported reserves were sufficient on both a gross and net basis as of December 31, 2015.

Note 5:
Borrowed money and interest thereon **$ 105,446,910**

As of December 31, 2015, the Company had a revolving line of credit agreement with The Guardian for a maximum aggregate principal amount of $350 million. As of December 31, 2015, the Company had outstanding drawings on the line of credit in the amount of $105.4 million, including $47 thousand in unpaid interest expense. Interest expense and commitment fees incurred under the agreement are reported in the Company's Statement of Operations as net investment income. The agreement is utilized to provide the Company adequate short-term liquidity. The agreement was amended subsequent to the examination period to increase the maximum aggregate principal amount from $350 million to $750 million effective May 1, 2017.

Note 6:
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts **$ 265,885,215**

As of December 31, 2015, the Company reported $265.9 million in miscellaneous income related to fees associated with the investment management, administration and contract guarantees from its separate accounts. The fees are primarily attributable to mortality and expense fees and rider charges associated with the Company's variable annuity products.

Note 7:
Net Realized Capital Gains (Losses) **$ (75,421,097)**

The Company incurred total net realized capital losses in the amount of $75.4 million for the year-ended December 31, 2015. The losses are primarily related to realized losses on derivatives transactions as summarized in the summary of net realized capital gains (losses) by asset class for the examination period below:

	Net Realized Capital Gain (Loss) by Asset Class			
Investment Class	2015	2014	2013	2012
United States Government Bonds	$ 604,301	$ 246,335	$ (443,419)	$ 15,973
Other Bonds	1,683	3,760,514	980,985	3,575,915
Bonds of Affiliates	(109,901)	-	-	-
Preferred Stocks	-	44,720	-	-
Common Stocks	-	-	91,545	(233,142)
Cash, Cash Equivalents and Short-Term Investments	(111)	136	(1,733)	(1,209)
Derivative Instruments	(75,917,069)	(67,614,514)	(174,065,961)	(85,662,914)
Aggregate Write-ins for Capital Gains (Losses)	-	60,173	13,283	(21,000)
Total Net Realized Capital Gains (Losses)	$ (75,421,097)	$ (63,502,636)	$ (173,425,300)	$ (82,326,377)

Derivative losses relate to a hedge strategy utilized by the Company to minimize the volatility associated with GMWB liabilities and manage the associated risk. The hedge program began in 2005, and uses S&P 500, NASDAQ, MSCI EAFE, Russell 2000 e-mini futures contracts and United States Treasury futures contracts. All derivatives utilized by the Company in its hedging program are exchange traded. The derivatives are used to mitigate risk but are not designated as hedges for accounting purposes or do not meet the qualifications for hedge accounting treatment. The derivatives are reported at fair value with realized and unrealized gains and losses reported as incurred.

SUBSEQUENT EVENTS

The following is a summary of significant events occurring subsequent to the examination date of December 31, 2015:

- Line of Business Modifications
    - Sale of Group 401(k) Business - In June 2016, Guardian signed a definitive agreement to sell its 401(k) business to Ameritas Life Insurance Corp. ("Ameritas"). The Guardian and Ameritas have established a long-term strategic marketing relationship under which Ameritas will provide 401(k) products and services through the Guardian's agency system. The sale was structured as a reinsurance transaction and contains coinsurance and modified coinsurance features. Ameritas plans to pursue novations of the 401(k) contracts, which would relieve the Company of any responsibility related to these contracts. The reinsurance transaction does not extinguish the Company's primary contractual liability until the Group 401(k) in-force contracts are fully novated to Ameritas. The transaction was approved by the Delaware Department of Insurance and completed on September 1, 2016.

- Discontinued Product - In January 2017, the Company made a decision to stop selling its proprietary variable annuity with the guaranteed minimum withdrawal benefit. Effective close of business on February 17, 2017, Guardian Investor II Variable Annuity with GLWB will no longer be available for sale.

- Paid-in and Contributed Surplus – On December 16, 2016, the Company received $100 million from The Guardian as an additional paid-in and contributed surplus. Despite a net gain from operations of $103.9 million (including a $36.8 million federal tax benefit), the Company reported a total net loss in the amount of $139.7 million for the year-ended December 31, 2016. The loss was primarily the result of net realized capital losses from the Company's hedging program, which totaled $243.6 million. The following is a summary of the Company's gross paid-in & contributed surplus from the examination date to December 31, 2016:

	Capital Stock	Gross Paid-in & Contributed Surplus	Total Capital Stock and Gross Paid-in & Contributed Surplus
December 31, 2015	$ 2,500,000	$ 381,500,000	$ 384,000,000
Activity	-	100,000,000	100,000,000
December 31, 2016	$ 2,500,000	$ 481,500,000	$ 484,000,000

- Affiliated Agreements
  - Line of Credit – Effective May 1, 2017, the Company and The Guardian amended the existing Line of Credit agreement in favor of the Company to increase the maximum aggregate principal amount of the line of credit from $350 million to $750 million.
  - Administrative Services Agreement - On July 29, 2016, The Guardian sold all its equity investment in RS Investment Management Company, LLC to Victory

Capital Management Inc. ("Victory Capital"), an unaffiliated third-party. As a result of this sale, each of the RS Funds was recognized into a corresponding newly-formed fund within the Victory Capital family of funds. In connection with this sale, RS Investment Management Company, LLC; RS Funds Distributor, LLC; and Park Avenue Institutional Advisers, LLC transferred by novation, all rights and obligations to Victory Capital.

- Investments in Affiliates
    - Hanover Square Funding, LLC – Effective March 1, 2016, the Company entered into a revolving Line of Credit agreement in favor of Hanover Square Funding, LLC for maximum aggregate principal amount $50 million. The agreement bears interest at a rate specified in the agreement and requires an annual commitment fee as specified in the agreement. The line of credit agreement has an initial term of 364 days and renews for successive periods of 364 days until terminated by the Company subject to the terms of the agreement.
    - Guardian Variable Products Trust - On September 1, 2016, the Company made initial seed money investments of $100 million to commence investment activities and general operations of the various mutual funds that are established within the Guardian Variable Products Trust ("VIP Trust"). Park Avenue Institutional Advisors, LLC serves as the investment adviser to the funds within the VIP Trust. The funds within the VIP Trust are offered through variable insurance products issued by the Company.
    - Park Avenue Securities, LLC - On January 25, 2017, the Company's Board of Directors approved a $6 million capital contribution to Park Avenue Securities,

LLC in order for PAS to maintain its minimum capital requirements. The funds were transferred to PAS on January 31, 2017.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no prior examination findings or recommendations.

SUMMARY OF RECOMMENDATIONS

There were no examination findings or recommendations as a result of the examination.

CONCLUSION

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. is acknowledged. In addition, the assistance and cooperation of the Company's external audit firm, PricewaterhouseCoopers, LLP, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

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