REPORT ON EXAMINATION

OF THE

GUGGENHEIM LIFE AND ANNUITY COMPANY

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

GUGGENHEIM LIFE AND ANNUITY COMPANY

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

Attest By: ____________________

Date: October 30, 2017

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 30th day of October, 2017.

____
Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner

Delaware Department of Insurance

REPORT ON EXAMINATION

OF THE

GUGGENHEIM LIFE AND ANNUITY COMPANY

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 30th day of October, 2017

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SALUTATION

May 09, 2017

Honorable Trinidad Navarro
Commissioner
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. 16.032, dated July 26, 2016, an Association examination has been made of the affairs, financial condition and management of the

GUGGENHEIM LIFE AND ANNUITY COMPANY

hereinafter sometimes referred to as the "Company" or "GLAC" incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The examination was conducted at the main 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

We have performed our multi-state examination of Guggenheim Life and Annuity Company. The last examination covered the period of January 1, 2007 through December 31, 2011. This examination covers the period of January 1, 2012 through December 31, 2015.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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

This examination report includes significant findings of fact, as mentioned in 18 Del. C. § 321 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material adjustments to the Company's financial statements. Please refer to the Summary of Recommendations section of this report for examination findings.

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, (Parent) which is 100% owned by GPFT Holdco, LLC, (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 re-domesticated from Iowa to Delaware effective June 1, 2010.

The Company is authorized as a stock insurer to transact the business of life insurance, including annuities, variable annuities and variable life and health insurance as defined in 18 Del. C. §902 “ ‘Life insurance’ defined" and 18 Del. C. §903 “ ‘Health insurance’ defined."

Common Capital Stock and Paid-in Surplus

The Company’s Amended and Restated Certificate of Incorporation provides that the Company has authority to issue 1,000,000 common stock shares, par value $10 per share. As of the examination date, the Company had 275,000 shares of common stock issued and outstanding. The capital represented by the 275,000 shares of common stock issued and outstanding was $2,750,000.

As of December 31, 2015, all issued and outstanding shares of the Company’s common stock were owned by GLAC Holdings, LLC.

During the period under examination, the Company received the following contributions from its sole stockholder:

Year	Contributions	
2012	$ 60,000,000	[1]
	10,000,000	[2]
2013	65,000,000	[3]

(1) In June 2012, the Company received a capital contribution from Parent in the amount of $60,000,000.
(2) In February 2013, the Company received a capital contribution from Parent, in the amount of $10,000,000. The contribution was accrued for at December 31, 2012.
(3) In February 2014, the Company received a capital contribution from Parent in the amount of $65,000,000. The contribution was accrued for at December 31, 2013.

Dividends

During the period under examination, the Company paid the following dividends to GLAC Holdings, LLC:

Year		Dividends	
2012	$	45,018,582	[1]
2013	$	88,254,328	[2]
2013	$	45,018,582	[3]
2014	$	62,753,808	[4]
2015	$	92,000,000	[5]

(1) On December 31, 2012, the Department approved a $45,018,582 ordinary dividend. The dividend was paid to GLAC Holdings LLC on December 7, 2012.
(2) On March 19, 2013, the Department approved a $88,254,328 ordinary dividend. The dividend was paid to GLAC Holdings LLC, on March 27, 2013.
(3) On December 17, 2013, the Department approved a $45,018,582 ordinary dividend. The dividend was paid to GLAC Holdings LLC, on December 27, 2013.
(4) On March 19, 2014, the Department approved a $62,753,808 ordinary dividend. The dividend was paid to GLAC Holdings LLC, on March 27, 2014.
(5) On March 10, 2015, the Department approved a $92,000,000 ordinary dividend. The dividend was paid to GLAC Holdings LLC, on March 16, 2015.

Surplus Notes

As of December 31, 2015, the Company did not have any surplus notes.

Borrowed Money

As of December 31, 2015, the Company did not have any borrowed money.

MANAGEMENT AND CONTROL

Stockholder

Article I of the Company’s Amended and Restated bylaws states that annual meetings of stockholders shall be held at such place, on such date, and at such time as the board of directors shall each year fix, which date shall be within thirteen (13) months of the last annual meeting of stockholders. Special meeting of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may be called by the board of directors or the chief executive officer and shall be held at such place, on such date, and at such time as they or he or she shall fix. Written notice of the place, date, and time of all meetings of the stockholders, and, in the event of a special meeting only, shall be given, not less than ten (10) nor more than sixty (60) days before the date of the meeting. At any meeting of the stockholders, the holders of a majority of all of the shares entitled to vote at the meeting, in person or by proxy, shall constitute a quorum for all purposes, unless or except the presences of a larger number may be required by law. Any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the actions so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to be voted thereon were present and voted.

Board of Directors

The bylaws, as amended June 1, 2010, provide that the Company’s business and affairs shall be managed by the board of directors. Subject to restrictions imposed by law, the Amended and Restated Certificate of Incorporation, or the Amended and Restated bylaws, the board can exercise all of the powers of the Company. The number of directors which shall constitute the whole board shall not be less than one (1) nor more than five (5) with the exact number to be fixed from time to time pursuant to a resolution adopted by a majority of the board of directors in office.

At December 31, 2015, the members of the Company's board of directors together with their principal business affiliations were as follows:

Name and Location	**Principal Occupation**
David L. Korman Chicago, Illinois	Chief Legal Officer Guggenheim Partners, LLC
Donald C. Cacciapaglia Rye, New York	Senior Managing Director Guggenheim Capital, LLC
Daniel J. Towriss Indianapolis, Indiana	President and Chief Executive Officer Guggenheim Life and Annuity Company

The minutes of the meetings of the shareholders and board of directors, which were held during the period of examination, were obtained and reviewed. Attendance at meetings, election of directors and officers, and approval of investment transactions were noted.

Committees

Article III of the Company's Amended and Restated bylaws states that the board of directors may designate committees. Each committee shall consist of one or more of the directors of the Company. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

As of December 31, 2015, the board had designated only one committee, an audit committee.

During the period covered by this examination, there was one member of the audit committee, Mr. Cacciapaglia, Vice Chairman of Guggenheim Investments, LLC

Officers

Article IV of the Company's Amended and Restated bylaws states that the Company's officers shall consist of a chief executive officer, president, chief operating officer, secretary, and treasurer, elected by the board and who shall hold office until their successors are elected and qualified. The board may also appoint vice presidents, assistant secretaries, assistant treasurers and other officers as may from time to time be appointed by the board of directors. Any number of offices may be held by the same person.

The officers of the Company shall hold office until their successors are chosen and qualified or until their earlier resignation or removal. Any officer elected or appointed by the board of directors may be removed at any time, with or without cause, by the board of directors. The board of directors may leave unfilled for any such period as it may fix, any office, except those of President and Secretary.

At December 31, 2015, the Company's principal officers and their respective titles were as follows:

Name	**Principal Occupation**
Daniel Jonathan Towriss	President and Chief Executive Officer
David Bryan Montgomery	Controller and Treasurer
James Louis Foorman [1]	Secretary
Erich Everett Schram	Chief Investment Officer
James Darrell Purvis	Chief Operating Officer
Jill Sugar Factor [2]	General Counsel and Assistant Secretary
James O'Donnell	Chief Information Officer, Guggenheim Partners, LLC
Dale Robert Uthoff	Chief Risk Officer

Curtis Paul Steger	Chief Actuary
Daniel Jonathan Towriss [3]	Appointed Actuary

(1) Effective July 22, 2016, Mr. Foorman resigned as Secretary of the Company. Effective July 22, 2016, Mr. Stephen Merle Coons was appointed Secretary of the Company.
(2) Effective December 7, 2016, Ms. Factor resigned as General Counsel of the Company. Effective July 11, 2016, Ryan Truman Cloud was appointed General Counsel of the Company.
(3) Effective December 7, 2016, Daniel J. Towriss resigned as the Appointed Actuary of the Company. Effective December 7, 2016 John Paul Richardson was appointed as the Appointed Actuary of the Company

In addition to the above officers, additional vice presidents, assistant vice presidents and other officers were appointed.

Conflicts of Interest

The Company maintains a formal written Code of Conduct, which sets out minimum standards of ethical conduct that apply to all employees, officers and directors. Incorporated into the Code of Conduct is a conflict of interest policy. Each year, all employees, officers and directors are required to complete a Code of Conduct Annual Compliance Confirmation, confirming their compliance with the Code of Conduct. The General Counsel of the Company provides a report to the Board, but only when a director or officer is unable to make an unqualified Code of Conduct certification.

In accordance with Section 12 of the Delaware Insurance Department Examination Handbook, a review of the Company’s annual Compliance Confirmations with the Code of Conduct for officers, directors and key employees was performed for the purpose of identifying anyone with a felony conviction involving dishonesty or a breach of trust. There was no indication of any criminal conviction in any of the responses reviewed.

A review of conflict of interest disclosure statements was conducted for years under examination. No concerns or issues were noted in statements reviewed.

Articles of Incorporation and Bylaws

The Company's Articles of Incorporation and bylaws were not amended during the examination period.

Corporate Records

The recorded minutes of the sole stockholder 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 the authorization of investments as required by 18 Del. C. §1304 "Authorization; record of investments."

A review of the Insurance Holding Company Annual Registration Statement filings (Form B and Form C*)* made by and on behalf of the Company for 2015 revealed that the Company had materially complied with 18 Del. C. §5004 and 18 Del. Admin. Code 1801.

Holding Company System

The Company is a member of an insurance holding company system as defined in 18 Del. C. §5001 (4) "Insurance Holding Company System". The Company's Holding Company Registration Statements (Form B and Form C) were timely filed with the Delaware Insurance Department for the years under examination.

Organization Chart

The following abbreviated presentation of the holding company system reflects the identities and interrelationships between the Company, its Parent, affiliated insurers and other members of the holding company system as of December 31, 2015:

Company	Domicile	% own
Sammons Enterprises, Inc. Employee Stock Ownership Trust		
Sammons Enterprises, Inc.	Delaware	100%
Consolidated Investment Services, Inc.	Nevada	100%
Sammons Equity Alliance, Inc.	Delaware	100%
SAGE Assets, Inc.	Delaware	100%

Guggenheim Capital, LLC	Delaware	35.2%
Guggenheim Partners, LLC	Delaware	100%
GP Holdco, LLC	Delaware	99.5%
GPFT Holdco, LLC	Delaware	100%
Guggenheim Insurance Holdco, LLC	Delaware	100%
PLIC Holdings, LLC	Delaware	100%
Paragon Life Insurance Company of Indiana	Indiana	100%
Paragon GMB Investco, LLC	Delaware	100%
GLAC Holdings LLC	Delaware	100%
Guggenheim Life and Annuity Company	**Delaware**	**100%**
Anchorage G Holdings, LLC	Delaware	100%
GLAC GBM Investco, LLC	Delaware	100%
Minerva Funding, LLC	Delaware	100%
Tomorrow, LLC	Delaware	100%
Conway Capital, LLC	Delaware	100%
Stonefire Investors, LLC	Delaware	100%
Retail Investors I, LLC	Delaware	48%
Retail Investing III, LLC	Delaware	100%
Guggenheim Life 1099 Reporting Company, LLC	Delaware	100%
Clear Spring Life Insurance Company	Texas	100%
IDF I, LLC	Delaware	100%
IDF II, LLC	Delaware	100%
Elsmere Insurance Agency, LLC	Delaware	100%
ELSL Funding entities	Delaware	100%
Efland Funding entities	Delaware	100%
Edonton Funding entities	Delaware	100%
Eventine Funding, LLC	Delaware	100%
Saganaw Insurance Agency, LLC	Delaware	100%
SIA Funding, LLC	Delaware	100%
Sentry Funding entities	Delaware	100%
Saxondale Funding, LLC	Delaware	100%
Sibella Funding, LLC	Delaware	100%
Scottwell Funding, LLC	Delaware	100%
Sudbourne Funding, LLC	Delaware	100%
Sifton Road Funding, LLC	Delaware	100%

Affiliated Management and Service Agreements

The Company was party to numerous inter-company agreements, which were disclosed in the Form B filings with the Delaware Insurance Department.

The following agreements were entered into prior to the period covered by this examination and remained in effect as of December 31, 2015:

Description	**Effective Date**
Administrative Services Agreement with GIS	October 1, 2011 (1)
Administration Services Agreement with GPIM	October 1, 2011 (2)
Selling Agreement with GINS and South Blacktree Agency LLC	November 1, 2010 (3)
Investment Management Agreement with GPAM	December 17, 2009

(1) Effective April 1, 2012, this agreement was amended by Amendment No. 1. Subsequently, Effective January 1, 2013, this agreement was restated and amended in its entirety.
(2) Effective January 1, 2013, this agreement was amended by Amendment No. 1.
(3) Effective April 20, 2012, this agreement was amended by Amendment No. 1.

Acronym Legend
GIS – Guggenheim Insurance Services, LLC
GINS – Guggenheim Investor Services, LLC
GPIM – Guggenheim Partners Investment Management, LLC
GPAM – Guggenheim Partners Asset Management, LLC, now known as GPIM

The above agreements were reviewed in connection with earlier examinations; however, balances associated with the above agreements as of December 31, 2015, were reviewed as part of this examination.

Affiliate and related party agreements newly entered into during the period covered by this examination and remaining in effect as of December 31, 2015, are summarized as follows:

Master Agency Agreement and Commission Payment Facility Agreement

Effective July 9, 2012, the Company entered into a Master Agency Agreement and an associated Commission Payment Facility Agreement with Gennessee Insurance Agency, LLC d/b/a GL Insurance Marketing, LLC (GLIM). Pursuant to the agreements, GLIM agrees to pay the commissions on certain included annuity policies to producers appointed by the Company, up to an annual cap, and the Company agrees to pay commission payments to GLIM (contingent upon the applicable policies remaining in force) with respect to business covered under this agreement.

Assignment and Assumption Agreement

Effective July 9, 2012, in conjunction with the aforementioned Master Agency Agreement and Commission Payment Facility Agreement, the Company entered into an Assignment and Assumption Agreement with GLIM.

Pursuant to the agreement, the Company assigned to, and GLIM assumed and shall perform all of the Company's obligations to pay commissions due sales of certain included annuity policies to each Producer who is a party to any Agent Contract, subject to the Company's commission payment cap amount in the Commission Payment Facility Agreement. This agreement does not assign the Company's rights to collect commission chargebacks from any Producer who is party to any Agent Contract.

Sublease Agreement

Effective July 13, 2012, the Company entered into a Sublease Agreement with GIS under which GIS will sublease premises originally leased by the Company from a third-party entity under an Office Lease Agreement (the "Lease") entered into on May 11, 2012. Under the Sublease, GIS is responsible for all amounts due under the Lease, for the remaining term of the Lease. The payment terms are designed so that the Company receives money from GIS no later than the date payment is due to the landlord under the Lease. The Sublease provides for the Company to be able to offset amounts owed to it under the Sublease against amounts it owes to GIS under the Administrative Services Agreement with GIS.

Intercompany Services Agreement

Effective January 1, 2013, the Company entered into an Intercompany Service Agreement with Guggenheim Commercial Real Estate Finance, LLC (GCREF). Under terms of the agreement, the Company engaged GCREF to provide mortgage loan sourcing, origination and administration services. Mortgage loans proposed under the agreement must be approved prior to funding by the Company. All services are subject to the Company's established policies and procedures. Special Service Fees are applicable to loans where the Company requests special services as described in the agreement.

Services Agreements

Effective June 4, 2013, the Company entered into a Master Services Agreement with se^2, LLC, a subsidiary of Security Benefit Corporation, which was an affiliate of the Company during the examination period. Under terms of the agreement, se^2 provides policy servicing and third-party administration for certain annuity contracts retroceded under a retrocession agreement effective October 1, 2012, for which se^2 has already been providing services pursuant to a Letter Agreement effective October 1, 2012.

Master Loan Agreement

Effective December 24, 2013, the Company entered into a Master Loan Agreement with Guggenheim Affiliated Entities. Under terms of the agreement, the Company provides short-term loans to affiliates. This affiliated short term loan program is limited to ninety percent (90%) of capital and surplus at any time with a target size of five percent (5%) of the aggregate admitted assets of the Company. The limitation is measured by aggregating the initial par value of the notes plus accrued interest. Interest accrues on the outstanding principal balance of a Promissory Note at the rate designated in such Promissory Note, such rate to be no less than rates earned on comparable investments with non-affiliated entities, and shall be payable on the Maturity Date. The unpaid principal balance outstanding under each promissory note, plus all accrued and unpaid interest and any other amounts due and payable shall be due and payable in full on the maturity date. Interest is calculated on a 360 day year and the actual number of days lapsed.

Administrative Services Agreement

Effective January 30, 2015, the Company entered into an Administrative Services Agreement with Clear Springs Life Insurance Company (CSLIC). Under terms of the agreement, the Company provides accounting, data processing, tax, auditing, actuarial functional support, policyholder, and collection support. The Company also provides public relations, advertising, sales and marketing promotional services. The servicing fee is calculated and accrued monthly and is payable and invoiced quarterly in arrears.

Books and Records under Administration Services Agreement

Effective May 28, 2015, the Company entered into a Books and Records under Administration Services Agreement with CSLIC. In connection with the Administrative Services Agreement entered into effective January 30, 2015 with CSLIC, the Company will maintain all books, records and accounts of CSLIC at the Company’s offices in Indianapolis, Indiana.

Tax Sharing Agreement

Effective August 20, 2015, the Company as the common parent of an affiliated group of companies, entered into a Tax Sharing Agreement with CSLIC. The affiliated group intends to file U.S. federal income tax returns on a consolidated basis. The agreement provides that the parties consent to the joinder of any new affiliated member as a party to the agreement on the sole signature of the representative authorized officer(s) of such new affiliated member and the Company.

For the affiliated and related party agreements noted above that were entered into and amendments to previously approved agreements the Company submitted notification to and received approval from the Delaware Insurance Department in accordance with 18 Del. C. §5005(a)(2)(d).

Furthermore, all of the aforementioned agreements require quarterly or more frequent settlement and include a thirty, sixty, ninety day or other appropriate termination clauses.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is authorized as a stock insurer to transact the business of life insurance, including annuities, variable annuities and variable life and health insurance as defined in 18 Del. C. §902 " 'Life insurance' defined" and 18 Del. C. §903 " 'Health insurance' defined." The principal offices of the Company are located in Indianapolis, Indiana.

As of December 31, 2015, the Company was licensed to transact multiple lines of insurance business in 49 states, and the District of Columbia. The Company was not licensed in New York. No new jurisdictions were added during the examination period.

Plan of Operation

At December 31, 2015, approximately forty-three percent (43%) of direct premiums were produced in seven states. The geographical breakdown of direct written premiums as of December 31, 2015 was: California, $35,362,781 (6.1%); Florida, $41,879,992 (7.2%); Illinois, $36,834,662 (6.4%); Indiana, $24,493,113 (4.2%); Iowa, $37,005,118 (6.4%); Michigan $51,103,894 (8.8%); Texas $24,121,842 (4.1%) and other jurisdictions, $326,902,758 (56.58%).

Products and Distribution System

GLAC markets its products and services along three lines of business: retail, assumed reinsurance and private placement. As of December 31, 2015 assumed reinsurance comprised over half of total liabilities and included fixed indexed annuities (FIAs), traditional fixed annuities, life insurance, and multi-year guaranteed annuities (MYGAs). Retail MYGAs accounted for 17% of the liabilities while private placement funding agreements account for 13%. The balance of liabilities includes directly written immediate annuities, private placement funding agreements and variable universal life and retail immediate annuities.

The retail market distribution's footprint is nationwide, with over 50 independent marketing organizations (IMO) and nearly 11,000 writing agents. Premium production historically has been split between direct and reinsurance premium although this trend will shift over time to direct premiums absent any material changes in assumed reinsurance. MYGA and FIAs products account for most of premium revenue on a product basis.

The Company focuses on selling MYGAs, immediate annuities and FIAs in the retail market. The MYGAs offer 3 to 10 year terms which automatically renew after the initial contract period. Riders available on MYGAs include nursing home care, terminal illness and return of premiums. Single premium immediate annuities offer lifetime payouts or fixed periods of 5 to 20 years, with a cost-of-living adjustment feature available.

In May, 2015, GLAC began offering an FIA named 'TriVysta'. TriVysta offers a choice of three indices and eight crediting strategies, depending on the index chosen. Riders offered include Nursing Home Care, Terminal Illness and a Lifetime Withdrawal Rider. The Lifetime Withdrawal Rider includes a 10% bonus on the benefit base. The indices used in TriVysta include the S&P 500, Deutsche Bank CROCI Sectors II USD Index (CROCI) and the Morgan

Stanley Diversified Select Index (MSDSI). The CROCI index is a proprietary valuation methodology about 10 years old and aims to convert reported financial statement data into an economic metric in an effort to make valuations more comparable across sectors and markets. There is a volatility control feature in CROCI which can be selected in some of the crediting strategies. The MSDSI allocates exposure to six asset classes and seeks to maximize returns given a level of risk. Allocations between the asset portfolio and cash is adjusted to maintain 5% realized volatility. An Elite IMO Group for selling the company's TriVysta FIA product was created to improve its competitive position, control volume, manage communication and marketing efforts and to foster close relationships with agents. As of December 31, 2015, thirteen (13) IMOs exclusively offered the TriVysta FIA.

A.M. Best's Rating

The Company was assigned an A.M. Best's rating of B++ (STABLE) for the year ending December 31, 2015. The rating is based on A.M. Best's evaluation of the Company's financial condition and operating performance.

REINSURANCE

For 2015, the Company reported the following distribution of net premiums written:

Direct	$	577,731,425
Reinsurance assumed (from affiliates)		54,461,196
Reinsurance assumed (from non-affiliates)		587,924,607
Total direct and assumed	$	1,220,117,228
Reinsurance ceded (to affiliates)		57,483,208
Reinsurance ceded (to non-affiliates)		34,684
Net premium written	$	1,162,599,336

The Company is involved in the assumption and cession of life insurance risk through various coinsurance agreements with affiliated and nonaffiliated companies.

The Company entered into the following reinsurance arrangements during the examination period:

Assumed

The Company entered into an annuity funds withheld coinsurance agreement during 2012 with an affiliated company, First Security Benefit of New York (FSBL). As of January 31, 2017, FSBL was no longer an affiliate of the Company. This treaty was effective January 26, 2012, and involved the assumption of a 100% quota share of a block of fixed deferred annuities. On the effective date, the Company recognized a funds withheld asset of $148.7 million, which was equal to the statutory reserves associated with these policies. At December 31, 2015 and 2014, the funds withheld asset totaled $175.0 million and $166.4 million, respectively.

The Company entered into an annuity funds withheld coinsurance agreement during 2012 with a former affiliate, EquiTrust Life Insurance Company (EquiTrust). This treaty was effective March 31, 2012, and involved the assumption of a 100% quota share of a block of fixed deferred annuities and equity indexed annuities. On the effective date, the Company recognized a funds withheld asset of $693.2 million, which was equal to the statutory reserves associated with these policies. At December 31, 2015 and 2014, the funds withheld asset associated with this reinsurance transaction totaled $1.86 billion and $1.70 billion, respectively.

Effective May 1, 2012, the Company reinsured a funding agreement under an existing in-force reinsurance agreement with ELCO Mutual Life and Annuity that was effective in 2010. Statutory reserves were equal to $338.1 million at December 31, 2015 and $329.7 million at December 31, 2014.

The Company entered into another annuity funds withheld coinsurance agreement during 2012 with EquiTrust. This treaty was approved by the Delaware Insurance Department and effective August 1, 2012. Under the terms of this arrangement, EquiTrust first entered into an agreement with Pioneer Security Life Insurance Company, Pioneer American Insurance Company, Occidental Life Insurance Company and American Amicable Insurance Company of Texas, and assumed a block of fixed deferred annuities. The entirety of this block was then retro-ceded to the Company. On the effective date, the Company recognized a funds withheld asset of $310.6 million, which was equal to the statutory reserves associated with these policies and paid a ceding allowance of $7.8 million. At December 31, 2015 and 2014, the funds withheld asset associated with this reinsurance transaction totaled $362.6 million and $353.6 million, respectively.

The Company entered into an annuity funds withheld coinsurance agreement during 2012 with an affiliated company, Security Benefit Life Insurance Company (SBLIC). As of January 31, 2017, SBLIC was no longer an affiliate of the Company. This treaty was approved by the Delaware Insurance Department effective August 15, 2012. Under the terms of this arrangement, SBLIC first entered into an agreement with Industrial Alliance and assumed a block of fixed deferred annuities. The entirety of this block was then retro-ceded to the Company. On the effective date, the Company recognized a funds withheld asset of $498.9 million, which was equal to the statutory reserves associated with these policies and received a negative ceding commission of $8.3 million. This was recorded as a change in surplus due to reinsurance, net of tax, and is being amortized through income over the expected life of the underlying policies. At December 31, 2015 and 2014, the funds withheld asset associated with this reinsurance transaction totaled $177.9 million and $234.8 million, respectively. As SBLIC fully assumes the business, the Funds Withheld liability will decrease.

The Company entered into an annuity reinsurance agreement during 2012 with an unaffiliated company, Sentinel Security Life Insurance Company. This treaty was effective September 6, 2012, and involved the assumption of a 100% quota share of a block of fixed deferred annuities. On the effective date, the Company received assets of $10.4 million, which were equal to the statutory reserves associated with these policies and paid no ceding commission. In 2013, the Company amended the agreement, with an effective date of March 1, 2013, to include newly issued fixed indexed annuities at 100% quota share. No assets were transferred and no ceding commission was paid. Reserves under this treaty at December 31, 2015 and 2014 were $322.3 million and $242.2 million, respectively.

The Company entered into an annuity reinsurance agreement during 2013 with an unaffiliated company, Sagicor Life Insurance Company. This treaty was effective February 1, 2013 and involved the assumption by the Company of a 90% quota share of new business issued by the ceding company. The new written business consists of ordinary annuities and fixed indexed annuities. Reserves under this treaty at December 31, 2015 were $609.4 million and $428.9 million at December 31, 2014.

The Company entered into an assumption reinsurance agreement during 2013 with an unaffiliated company, Madison National Life Insurance Company. This treaty was effective May 31, 2013, and involves the assumption of certain universal life, traditional life, deferred annuities, supplemental contracts and premium deposit funds. On the effective date, the Company received assets of $226.5 million, and paid a $950,000 ceding commission. Once the assumption process is completed, with appropriate regulatory approval, the policies will become the direct obligation of the Company. Reserves under this treaty were $109.9 million and $119.3 million at December 31, 2015 and December 31, 2014, respectively.

Ceded

The Company entered into a reinsurance treaty with an affiliate, Paragon Life Insurance Company of Indiana, effective January 31, 2011, to cede several annuity blocks of business on a coinsurance with funds withheld basis. At December 31, 2015 and 2014, the funds withheld asset associated with this reinsurance transaction totaled $706.4 million and $729.1 million, respectively.

On March 31, 2012, the Company entered into a coinsurance funds withheld agreement with EquiTrust, to cede a portion of the Federal Home Loan Bank funding agreements. At December 31, 2015 and 2014, the funds withheld liability associated with this reinsurance transaction totaled $732.8 million and $720.6 million, respectively.

The Company entered into an indemnity retrocession reinsurance agreement with its direct subsidiary CSLIC, effective May 1, 2015. Under the agreement, the Company cedes multi-year guaranteed and fixed indexed annuity blocks of business on a 100% coinsurance with funds withheld basis. The agreement was amended and restated on December 2, 2015 to include changes pertaining to the hedging activity related to index exposure in account value. Reserves and funds withheld under this treaty at December 31, 2015 were $230.1 million and $230.1 million, respectively.

Reinsurance Contract Review

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

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. The accompanying comments on the financial statements reflect any examination adjustments to the amounts reported in the Annual Statements, and should be considered an integral part of the financial statements.

General Account:

- Assets
- Liabilities, Surplus and Other Funds
- Summary of Operations
- Capital and Surplus Account
- Reconciliation of Capital and Surplus for the Examination Period

Separate Accounts – Insulated and Non-Insulated:

- Assets
- Liabilities and Surplus

Analysis of Changes in Financial Statements Resulting from Examination

Assets
As of December 31, 2015

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 5,641,256,447	$	$ 5,641,256,447
Stocks:			
Preferred stocks	69,034,268		69,034,268
Common stocks	279,985,929	369,835	279,616,094
Mortgage loans on real estate			
First liens	360,240,087		360,240,087
Cash, cash equivalents and short-term investments	1,161,966,113		1,161,966,113
Contract loans	551,859,711		551,859,711
Derivatives	14,695,332		14,695,332
Other invested assets	788,781,703		788,781,703
Receivables for securities	48,091,614		48,091,614
Aggregate write-ins for invested assets	3,589,677		3,589,677
Investment income due and accrued	116,558,978		116,558,978
Premiums and considerations			
Deferred premiums, agents' balances and installments	384,736		384,736
Reinsurance:			
Funds held by or deposited with reinsured companies	2,573,319,894		2,573,319,894
Other amounts receivable under reinsurance contracts	12,249,683		12,249,683
Current federal and foreign income tax recoverable and interest thereon	3,498,779		3,498,779
Net deferred tax asset	154,819,334	76,566,648	78,252,686
Electronic data processing equipment and software	1,107,363	1,107,363	-
Furniture and equipment, including health care delivery assets	214,804	214,804	-
Receivable from parent, subsidiairies and affiliates	454,693		454,693
Aggregate write-ins for other than invested assets	67,756,920		67,756,920
Total assets excluding Separate Accounts	$ 11,849,866,065	$ 78,258,650	$ 11,771,607,415
From Separate Accounts	1,561,592,496	-	1,561,592,496
Total	$ 13,411,458,561	$ 78,258,650	$ 13,333,199,911

Liabilities, Surplus and Other Funds
As of December 31, 2015

Liabilities, Surplus and Other Funds

Aggregate reserves for life contracts	$ 7,908,705,991
Aggregate reserves for accident and health contracts	61,060
Liability for deposit type contracts	923,397,218
Contract claims:	
Life	13,457,067
Premiums and annuity considerations for life and accident and health contracts received in advance	17,546
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	31,894,070
Interest maintenance reserve	55,115,566
Commissions to agents due or accrued	916
General expenses due or accrued	6,367,310
Transfers to Separate Accounts due or accrued	(8,632,440)
Taxes, licenses and fees	(106,043)
Unearned investment income	304,804
Amounts withheld or retained by company as agent or trustee	1,645,458
Remittances and items not allocated	8,703,550
Miscellaneous liabilities:	
Asset valuation reserve	107,838,389
Payable to parent, subsidiaires and affiliates	16,539,553
Funds held under coinsurance	1,669,334,544
Derivatives	19,064
Payable for securities	50,309,961
Payable for securities lending	378,746,156
Aggregate write-ins for liabilities	7,950,413
Total liabilities excluding Separate Accounts	$ 11,171,670,153
From Separate Accounts Statement	1,561,592,496
Total Liabilities	$ 12,733,262,649
Common capital stock	2,750,000
Gross paid-in and contributed surplus	400,000,000
Unassigned funds	197,187,262
Surplus	$ 599,937,262
Total Liabilities, Capital and Surplus	$ 13,333,199,911

Summary of Operations
As of December 31, 2015

Premiums and annuity considerations for life and accident and health contracts	$ 1,162,603,190
Consideration for supplementary contracts with life contingencies	2,150,528
Net investment income	490,487,069
Amortization of Interest Maintenance Reserve	19,220,877
Commissions and expense allowances on reinsurance ceded	6,907,334
Miscellaneous income:	
contract guarantees from Separate Accounts	1,020,444
Aggregate write-ins for miscellaneous income	(230,210,331)
Totals	$ 1,452,179,111
Death benefits	$ 6,379,005
Matured endowments (excluding guaranteed annual pure endowments)	293,553
Annuity benefits	219,078,528
Disability benefits and benefits under accident and health contracts	62,907
Surrender benefits and withdrawals for life contracts	373,043,726
Interest and adjustments on contract or deposit-type contract funds	(34,185,022)
Payments on supplementary contracts with life contingencies	631,295
Increase in aggregate reserves for life and accident and health contracts	627,459,587
Totals	$ 1,192,763,579
Commissions on premiums, annuity considerations and deposit-type contracts funds	20,367,553
Commissions and expense allowances on reinsurance assumed	68,439,767
General insurance expenses	79,864,783
Insurance taxes, licenses and fees, excluding federal income taxes	2,908,663
Net transfers to or (from) Separate Accounts net of reinsurance	(18,177,745)
Totals	$ 1,346,166,600
Net gain from operations before dividends to policyholders and federal income taxes	$ 106,012,511
Dividend to policyholders	-
Net gain from operations after dividends to policyholders and before federal income taxes	106,012,511
Federal and foreign income taxes incurred	(12,697,825)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains (losses)	118,710,336
Net realized capital gains (losses)	9,857,191
Net Income	$ 128,567,527

Capital and Surplus Account
As of December 31, 2015

Capital and surplus, December 31, prior year	$	645,957,755
Net income (Loss)		128,567,527
Change in net unrealized capital gains or (losses) less capital gains tax of $(10,081,865)		(15,572,332)
Change in net unrealized foreign exchange capital gain (loss)		(3,170,095)
Change in net deferred income tax		(1,728,438)
Change in nonadmitted assets		(15,741,254)
Change in reserve on account of change in valuation basis (increase) or decrease		(16,929,604)
Change in asset valuation reserve		(27,616,811)
Surplus adjustment		
Change in surplus as a result of reinsurance		(1,829,486)
Dividends to stockholders		(92,000,000)
Net change in capital and surplus for the year	$	(46,020,493)
Change as a result of December 31, 2015 examination		-
Capital and surplus, December 31, current year	$	599,937,262

Reconciliation of Capital and Surplus
From January 1, 2012 to December 31, 2015

Capital and Surplus, January 1, 2012		$ 312,768,582
Net income		505,091,001
Additions:		
Change in net unrealized capital gains	13,880,984	
Change in net deferred income tax	160,443,667	
Surplus adjustment: Paid in	135,000,000	
Total Additions		309,324,651
Deductions		
Change in net unrealized foreign exchange capital gain (loss)	(4,115,364)	
Change in nonadmitted assets	(78,196,802)	
Change in reserve on account of change in valuation basis (increase) or decrease	(16,929,604)	
Change in asset valuation reserve	(76,928,731)	
Surplus adjustment: Change in surplus as a result of reinsurance	(18,031,171)	
Dividends to stockholders	(333,045,300)	
Change as a result of December 31, 2015 examination	-	
Total Deductions		(527,246,972)
Capital and Surplus, December 31, 2015		$ 599,937,262

Separate Accounts
Assets
As of December 31, 2015

	General Account Basis	Fair Value Basis	Total
Bonds	$ -	$ -	$ -
Other invested assets	1,561,592,496	-	1,561,592,496
Total	$ 1,561,592,496	$ -	$ 1,561,592,496

Liabilities
As of December 31, 2015

	General Account Basis	Fair Value Basis	Total
Aggregate reserve for life, annuity and accident and health contracts	$ 315,441,902	$ -	$ 315,441,902
Liability for deposit-type contracts	1,237,518,154	-	1,237,518,154
Other transfers to general account due or accrued	8,632,440	-	8,632,440
Total liabilities	$1,561,592,496	$ -	$1,561,592,496

Analysis of Changes in Financial Statements Resulting from Exam

There were no changes to surplus as a result of the financial examination.

COMMENTS ON FINANCIAL STATEMENTS

Liabilities – Reserve Review

The Department's Consulting Actuary (Consulting Actuary) evaluated the adequacy of the Company's reserves. In addition the Consulting Actuary reviewed reserves for compliance with standard valuation laws and applicable NAIC Actuarial Guidelines and Model Regulations.

The Consulting Actuary's analysis of the aggregate reserves for life and annuity contracts, deposit liabilities and claim liabilities in the general account indicated these items were fairly stated. Based on the Consulting Actuary's review, it was concluded that the Company made adequate provision for these liabilities.

The Transfers to Separate Accounts (SA) Due or Accrued liability was reported on Page 3, Line 13 of GLAC's December 31, 2015 Annual Statement. GLAC provided work papers which support the detail of this liability. The Consulting Actuary reviewed the work papers and found them in order. The transfers to SA due or accrued consisted entirely of the CRVM expense allowances for individual variable life contracts of ($8,632,440) in the SA, which was the difference between the account values and the associated reserves held for such contracts in Exhibit 3 of the SA Annual Statement.

The entry on Page 3, Line 13 of the General Account Annual Statement equaled the sum of parenthetical entries shown on Page 3, Line 10 of the SA Annual Statement as of December 31, 2015, but with the sign changed. The consulting actuary verified this for the reported amounts.

Based on the above analysis, the consulting actuary concluded that the transfers to separate accounts due or accrued as reported by GLAC on Page 3, Line 13 appeared fairly stated and was accepted for the purpose of this report.

The consulting actuary reviewed the Separate Accounts Aggregate Reserve for Life, Annuity and Accident and Health Contract liability as well as the Separate Account liability for Deposit-Type Contracts. These liabilities consist of variable universal life insurance contracts issued, in large part, as Company Owned Life Insurance (COLI) policies and private placement funding agreements and are listed on Exhibits 3 and 4 of the SA Annual Statement as of December 31, 2015. Based on the review performed, the consulting actuary concluded that the liabilities appeared reasonable and was fairly stated.

The review of policy loans taken out against the COLI policies and the private placement funding agreements, the actuary noted that there is a potential risk which may result in a loss to GLAC associated with these policy loans. Since, the funds from policy loans are required to fund additional premiums paid to each policyholder's separate account, the underlying SA investments serve as collateral for the policy loans. A decrease in the value of these SA investments or an inability to collect on debt security investments may result in the collateral being insufficient to cover the repayment of the policy loans creating a loss in the General Account.

The Consulting Actuary's review of deferred premiums and agents' balances indicated that the asset was fairly stated. Based on the Consulting Actuary's review, it was concluded that the Company made adequate provision for the asset.

Asset Adequacy Analysis

The Consulting Actuary reviewed the 2015 Asset Adequacy Analysis (AAA) conducted as required by the Actuarial Opinion Memorandum Regulation (AOMR). The Company's Appointed Actuary concluded that no additional reserves were required as of December 31, 2015. The Consulting Actuary reviewed the AOMR and agreed with the Company's Appointed Actuary's conclusion.

Data Validity, Inclusion Testing and Testing of Reserves

The examination of the Company was conducted as a Risk-Focused Examination following the procedures as outlined in the Handbook. The two data risks which are significant for reserve verification are the validity of underlying valuation data and the inclusion of all business in the valuation. The Consulting Actuary relied on the Financial Examiners for the review of controls related to data validity and inclusion testing. The Financial Examiners utilized the external auditor's work, supplemented by additional testing. No exceptions were noted with testing performed.

Reinsurance

The Consulting Actuary reconciled assumed reserves from Exhibits 5, 6 and 7 to the Annual Statement Schedule S – Part 1 – Sections 1 & 2. No exceptions were noted. The Consulting Actuary reconciled reinsurance ceded reserves from Exhibits 5, 6 and 7 to the Annual Statement Schedule S – Part 3 – Sections 1 & 2. No exceptions were noted.

The Financial Examiners conducted a review of all significant reinsurance treaties and amendments for assumed and ceded business. The examiners selected a judgmental sample of reinsurance treaties to review transfer of risk. No concerns were found. The Consulting Actuary relied on the Financial Examiners' review for compliance with 18 *Del.Admin.Code* 1002 "Life and Health Reinsurance Agreements". The Consulting Actuary reconciled reinsurance ceded reserves to the Annual Statement Schedule S, and concluded that the reserves reported in Schedule S were reasonable.

Separate Account Investments

As part of their examination, examiners reviewed GLAC's Separate Accounts. The examiners obtained the assistance of Rutter Associates, LLC (Rutter) to help with the review of these investments as well as investments associated with GLAC's General Account. The Separate Accounts relate to privately placed variable universal life policies (PPVUL), which were issued in large part as Company Owned Life Insurance (COLI) policies, typically referred to as "Key Man Insurance", and Funding Agreements. The PPVUL policies are marketed on a private placement basis with underlying investment options for the policyholder. The Funding Agreements are also privately placed and contain various investment options. Under both the Funding Agreements and the PPVUL policies, the contract owner and or policyholder assumes market risks associated with the underlying investments.

Additionally, in review of the policies, it was noted that in each case the policies were over funded to increase the account value. Rutter noted that the GLAC Separate Account policy owners use policy loans issued by GLAC to fund their investments in the GLAC Separate Account. Subsequent to the purchase of the original policies, policy loans were taken out against the policies with the proceeds of the loans immediately reinvested back into the policies to further increase the policy account value. The policy loans were funded by transferring cash from the issuing company's General Account to the Separate Account. After being transferred to the Separate Account the cash is invested in accordance with separate account guidelines. It was noted that GLAC has a total of approximately $552 million policy loans issued, representing 4.69% of the general account assets and 92% of its 2015 surplus.

It is recommended that GLAC consider reducing the amount of investment in contract loans as the $552 million receivable represents 92% percent of its 2015 surplus.

A review of GLAC's Separate Account Funding Agreements noted that policy loans were also taken out against the Funding Agreements. This is similar to the policy loans issued on the owners of GLAC's Separate Account COLI policies. Funding Agreements totaled approximately $544 million at December 31, 2015.

Variable Life Policies Issued to GLAC by EquiTrust

Rutter noted GLAC reported $67.8 million as an Aggregate Write-in for Other Than Invested Assets on page 2 of its Annual Statement, line 2502 for Cash Surrender Value of Company Owned Life Insurance of policies issued to GLAC by EquiTrust. This amount is actually the net equity value of the Separate Account assets in EquiTrust that are owned by GLAC. The gross equity value of the assets is $191.8 million which is offset by policy loans of $124 million resulting in a net equity value of $67.8 million.

General Account Investment Review

Review of GLAC's investment portfolio noted that GLAC owns private label investments and/or structured securities among their Annual Statement Schedule D, DA, and BA assets. These private and structured assets generally offer higher expected yields than what the public markets offer. Accordingly, this comes at the price of higher than average model risk, as well as liquidity risk.

Further, Rutter noted that one of GLAC's General Account investments defaulted during February 2017. The investment in BCBG Max Azria, a women's apparel designer and retailer, filed for bankruptcy during February of 2017. The Company's total carrying value in this investment was approximately $48 million as of December 2015.

It is recommended that the Company have private label and structured security investments that are reported in Schedules D, DA and BA rated at least annually and submit a summary listing of these investments and their ratings to the Department.

In addition, it is recommended that the Company report a downgrade of any of these securities to the Department within 10 business days of the downgrade.

Affiliated Investments

Review of GLAC's investment portfolio noted that the valuation of the structured securities and hard-to-value assets included on Schedule D of the GLAC General Account Annual Statement are primarily performed by GPIM. Further, a proportion of these securities are identified as "affiliated" investments.

Rutter found that there are $510 million identified as "affiliated investments." These affiliated investments range from GPIM issued CLO, GPIM issued ABS, GAFA notes investing in either EquiTrust or SBL's funding agreements, and GPIM issued combo notes.
Additionally, Rutter noted that affiliated investments are not only included on Schedule D, but make up a portion of Schedule DA and Schedule BA assets.

Rutter found that the total affiliated investments amounted to approximately $1.26 billion. Affiliated investments on Schedule DA include 15 short-term loans yielding 6% to 9.7% for a maturity of 1 year. These short-term loans are issued to affiliate LLC's, which invest in bridge loans, warehouse financing, etc.

<u>18 *Del. Admin Code* 1205</u>

18 *Del. Admin Code* 1205 §6.4.1 limits the aggregate investment in a single security to ten percent (10%) of the value of the assets of the separate account. As part of their Regulation 1205 analysis the examination grouped all of GLAC's purchased and issued Company Owned Life Insurance policies and Funding Agreements to show the individual investments by each LLC policy. The value of the Separate Account at December 31, 2015 was $1,561,592,496.

The examiners identified two investments that were higher than the 10% threshold stipulated in the regulation. One of those investments amounted to $670,280,000 and the other amounted to $333,010,000 which represents 38.8% and 19.3%, respectively, of the overall asset value of the Separate Accounts. There were eleven other related investments with varying CUSIP numbers. These amounted to $228,424,491 which represents 13.2% of the overall asset value of the Separate Accounts

GLAC requested a waiver exemption to 18 *Del. Admin Code* 1205 §6.4.1 in a letter submitted to the Delaware Department of Insurance dated December 7, 2010. The waiver was not approved by the Department

> **It is recommended that the Company take steps necessary to diversify the investments within its Separate Accounts or obtain an approval letter from the Department to come into compliance with 18 *Del. Admin. Code* 1205.**

SUMMARY OF RECOMMENDATIONS

It is recommended that GLAC consider reducing the amount of investment in contract loans as the $552 million receivable represents 92% percent of its 2015 surplus.

It is recommended that the Company have private label and structured security investments that are reported in Schedules D, DA and BA rated at least annually and submit a summary listing of these investments and their ratings to the Department.

In addition, it is recommended that the Company report a downgrade of any of these securities to the Department within 10 business days of the downgrade.

It is recommended that the Company take steps necessary to diversify the investments within its Separate Accounts or obtain an approval letter from the Department to come into compliance with 18 *Del. Admin. Code* 1205.

SUBSEQUENT EVENTS

The following material subsequent events occurred, requiring disclosure in this examination report. Please refer to the Summary of Recommendations section of this report for examination findings.

Dividends

Subsequent to the period under examination, the Company paid the following dividends:

(1) On March 10, 2016, the Department approved an ordinary dividend in the amount of $100,000,000. The dividend was paid to the Company's parent, GLAC Holdings, LLC, on March 16, 2016.

Affiliated Management and Service Agreements

Subsequent to the period under examination, the Company entered into the following intercompany agreement:

Limited Discretionary Investment Advisory Agreement

Effective January 1, 2016, the Company entered into a Limited Discretionary Investment Advisory Agreement with Guggenheim Investment Advisors, LLC (GIA).

GIA will provide GLAC with investment advisory services with limited discretion subject to restrictions set forth in the Limited Discretionary Investment Advisory Agreement related to hedging needs identified by GLAC personnel, with respect to the establishment of hedging positions, to protect GLAC from certain directional investment risks. GIA will also monitor and evaluate the performance of the assets and provide GLAC with reports as the parties may agree from time to time, including but not limited to, risk reports and forward-looking cash flow statements.

GLAC will pay GIA a monthly management fee for services provided, and an additional fee on each specialized transaction that has a term of more than one year. The management fee shall be calculated monthly during the term of the agreement as an amount equal to the sum of 0.04% on the notional amount for each specialized transaction entered into during the month. For specialized transactions with a term longer than one year, a 0.04% management fee will also be earned annually on the anniversary of the inception of such specialized transaction.

Unconditional Financial Guarantee

On March 1, 2016, the Company signed an Unconditional Financial Guarantee (the “Guarantee”) with CSLIC that would result in a contingent exposure of the Company’s assets. The Company signed the Guarantee as a condition of licensure for CSLIC to write business in the State of Maine. The Guarantee would obligate the Company if CSLIC fails to maintain the minimum capital and surplus as required by the NAIC.

Master Loan Agreement

Effective May 13, 2016, the Master Loan Agreement was amended and restated to modify the interest rate calculation to use any generally accepted day count /convention as agreed to by borrower and lender and set forth in the applicable promissory note. All other terms and conditions remained the same.

Expansion Application

On December 22, 2016, the Company submitted a letter to the Delaware Insurance Department, informing the Department that it was in the process of preparing an NAIC Expansion Application for the Commonwealth of Puerto Rico. The Company is requesting authority to write life products in that territory. On December 29, 2016, the expansion application was filed with Puerto Rico. The Company has been issued a certificate of authority by Puerto Rico, effective September 8, 2017.

Master Services Agreement

Effective January 31, 2017, se2 was no longer deemed an affiliate of the Company upon the sale of Security Benefit Corporation, the parent of se2, to an external third-party. The Company does not plan to amend or restate the Master Services Agreement between the Company and se2 as a result of the change in ownership of Security Benefit Corporation.

CONCLUSION

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc., and consulting investment specialist, Rutter Associates, LLC, is acknowledged. In addition, the assistance and cooperation of the Company's outside audit firm, KPMG LLP, and the Company's management and staff were appreciated and are acknowledged.

Respectfully submitted,

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

James Call, CFE
Supervisory Examiner
Delaware Department of Insurance