

EXAMINATION REPORT
OF
INDEPENDENCE LIFE AND ANNUITY COMPANY
AS OF
DECEMBER 31, 2023

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
INDEPENDENCE LIFE AND ANNUITY COMPANY
AS OF
DECEMBER 31, 2023

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.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is written over a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 23rd day of May, 2025

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April 15, 2025

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street, Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 24.015, dated May 23, 2024, an examination has been made of the affairs, financial condition and management of

INDEPENDENCE LIFE AND ANNUITY COMPANY

hereinafter referred to as INDY or the Company and incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801. The administrative offices of the Company are located at 96 Worcester Street, Wellesley Hills, Massachusetts 02481.

SCOPE OF EXAMINATION

We have performed our full-scope risk-focused surveillance examination of the Company. The last examination was conducted as of December 31, 2018, by the Delaware Department of Insurance (Department). This examination covered the five-year period from January 1, 2019 through December 31, 2023, and encompasses a general review of transactions during the period, the Company's business policies and practices as well as management and relevant corporate

matters, with a determination of the financial condition of the Company as of December 31, 2023. Transactions subsequent to the examination date were reviewed where deemed necessary. The examination of the Company was performed as part of the multi-state coordinated examination of the Sun Life Financial, Inc. (SLF) Group of regulated United States life and health insurance companies as of December 31, 2023. Michigan was the lead state for the multi-state Group examination. The examination was conducted concurrently with that of the Company's affiliates.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The 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 was identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during

the examination that, due to their nature, are not included within the examination report but were separately communicated to other regulators and/or the Company.

During the course of this examination, the Department considered work performed by the Company's external accounting firm, Deloitte & Touche LLP (D&T). Certain auditor work papers from 2023 and 2022 were incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in the financial statements as a result of this examination.

COMPANY HISTORY

The Company was incorporated under the Kentucky Insurance Laws on October 11, 1945, and began business on November 23, 1945, as the Independence Life and Accident Insurance Company of Kentucky.

On January 1, 1953, the Company absorbed an affiliate, the Independence Insurance Company. On July 23, 1982, the Independent Life and Accident Insurance Company of Florida acquired all outstanding stock of the Company. On April 2, 1984, the Crown Life Insurance Company (Crown Life), domiciled in Canada, purchased 100% of the outstanding shares of the Company, at which time the Company adopted the name Crown America Life Insurance Company.

On December 18, 1985, Crown Life transferred all of its shares of the Company to Crown America Holding Company (Crown America). Effective December 28, 1989, the Company re-domesticated to Michigan and on October 1, 1993, Crown America sold all its shares of the Company to the Keyport Life Insurance Company (Keyport Life). On December 29, 1993, the Company then re-domesticated to the State of Rhode Island.

Effective January 10, 1994, the name of the Company was changed to Keyport America Life Insurance Company and subsequently, effective July 13, 1995, the name of the Company was changed to Independence Life and Annuity Company.

Effective after the close of business on October 31, 2001, all the outstanding shares of INDY and its affiliates, were acquired by Sun Life of Canada (U.S.) Holdings, Inc. (Life Holdco), a holding company incorporated in the State of Delaware. Life Holdco is a member of the SLF Group Insurance Holding Company System.

On December 31, 2003, the Company became a wholly owned subsidiary of Sun Life Assurance Company of Canada (U.S.) (SLUS) when its parent, Keyport Life, merged with and into SLUS. On December 10, 2012, the Company re-domesticated to the State of Delaware. On January 1, 2013, all the issued and outstanding shares of the Company were distributed to Life Holdco. As of December 31, 2023, the Company is the direct subsidiary of Life Holdco and an indirect subsidiary of SLF, the ultimate parent within the insurance holding company system.

Capitalization

The Certificate of Incorporation provides that the Company is authorized to issue 2,500,500 shares of common stock, with a par value of \$1.00 per share. As of December 31, 2023, 2,500,350 shares were issued and outstanding. As of December 31, 2023, the gross paid-in and contributed surplus totaled \$210,607,718.

The Company received a capital contribution in the amount of \$180 million from its sole shareholder, Life Holdco, on December 23, 2019. On the same day, the Company contributed \$180 million to its direct subsidiary, Sun Life Financial Reinsurance Company II (SLDE). There was no financial statement impact to the Company as a result of these transactions.

The Company received a capital contribution in the amount of \$15 million from its sole shareholder, Life Holdco, on December 9, 2021. Then on December 23, 2022, the Company received another \$15 million as a capital contribution from its sole shareholder, Life Holdco.

Dividends

No dividends were declared or paid 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, all corporate powers and its business property and affairs are managed by, or under the direction of, its Board of Directors (Board). Directors shall be elected annually by the sole shareholder and the number of directors is currently fixed at not less than three members. Each Director shall hold office until his or her successor is elected and qualified. Directors are not required to be shareholders or residents of Delaware to qualify.

The Board, duly elected in accordance with its bylaws and serving at December 31, 2023, were as follows:

<u>Name</u>	<u>Title</u>
Lisa Sandra Miolo	President, Independence Life and Annuity Company
Scott Michael Davis	Senior Vice President and General Counsel Sun Life Financial US Operations
Neil Leonard Haynes	Senior Vice President and Chief Financial Officer Sun Life Financial US Operations

Officers

Officers were elected by the Board in accordance with the bylaws during the period under examination. In accordance with its bylaws, officers serving the Company shall include a President,

a Secretary and a Treasurer. The Board may also appoint a Chairman, one or more Vice Presidents and such other officers as are from time to time desired. Any number of offices may be held by the same person, unless the certificate of incorporation or the bylaws otherwise provide. The senior officers duly appointed in accordance with the bylaws and serving as of December 31, 2023, are as follows:

<u>Name</u>	<u>Title</u>
Lisa Sandra Miolo	President
Neil Leonard Haynes	Senior Vice President, Chief Financial Officer and Treasurer
Renee Sarah Shiller	Vice President, Chief Actuary and Chief Risk Officer
Colleen Louise Kallas	Assistant Vice President and Senior Counsel and Secretary

Corporate Records

The recorded minutes of the shareholders, the Board, and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, and approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, a review of Company files indicated that written correspondence was submitted to the Department with regard to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

The Company is a member of an Insurance Holding Company System as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. An abbreviated presentation of the insurance holding company system as of December 31, 2023, follows (ownership is 100%):

<u>Company</u>	<u>Domicile</u>
Sun Life Financial Inc.	Canada
Sun Life Global Investments Inc.	Canada
Sun Life 2007-1 Financing Corp.	Canada
Sun Life Assurance Company of Canada - U.S. Operations Holdings, Inc.	Delaware
Sun Life Financial (U.S.) Holdings, Inc.	Delaware
Sun Life Financial (U.S.) Investments LLC	Delaware
Sun Life of Canada (U.S.) Holdings, Inc.	Delaware
Independence Life and Annuity Company	Delaware
Sun Life Financial Reinsurance Company II	Delaware

Agreements with Affiliates

The following agreements with affiliates were in effect as of December 31, 2023:

Tax Allocation Agreement

Effective December 31, 2003, amended and restated September 1, 2017, and most recently amended October 1, 2018, the Company entered into a Tax Allocation Agreement with Life Holdco and currently 30 of its direct and indirect subsidiaries. Allocation is based upon separate return calculations with current credit (benefit) given for losses and tax attributes that are utilized by the consolidated group. Intercompany tax balances are settled on a quarterly basis, with a final true-up after filing of the federal income tax return, as prescribed by the terms of the tax sharing agreement.

Administrative Agreement

On December 17, 2013, the Company entered into administrative agreement with its affiliate, Sun Life Assurance Company of Canada (SLOC), to provide general administrative services to the Company. The services provided to the company include personnel, facilities, actuarial services, legal services, and other serves which are reimbursed by the Company on a cost reimbursement basis. Prior to this agreement, these services were provided under an agreement with SLUS.

Investment Management Agreement

Effective October 1, 2001, and as amended on December 1, 2006, the Company entered into an Investment Advisory Agreement with Sun Capital Advisers, LLC (now known as Sun Life Capital Management (U.S.) LLC) (Sun Capital) under which Sun Capital acts as investment manager for certain of the Company's portfolios. Sun Capital is a Delaware investment advisor and an indirect subsidiary of SLF.

Principal Underwriting Agreement

Effective July 1, 2018, the Company entered into a principal underwriting agreement with Sun Life Institutional Distributors (U.S.) LLC (SLID), whereby SLID provides underwriting and distribution services in connection with certain single premium variable life policies (Variable Life Separate Account) issued by the Company.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2023, the Company was licensed to transact multiple lines of insurance business in 49 states and the District of Columbia. There were no changes in licensed jurisdictions during the examination period.

Plan of Operation

The Company is authorized as a stock insurer to transact the business of life insurance, including annuities, variable annuities, and variable life as defined in 18 *Del. C.* §902 and 18 *Del. C.* §903. The business of the Company includes run-off blocks of variable life insurance products and fixed annuities as well as active medical stop-loss policies.

Prior to the examination period, the business of the Company included variable life insurance products and fixed annuities. That business is in run-off and no new variable life insurance or

annuity business has been written during the exam period. The number of the Company's policyholders has gradually decreased to 367 as of December 31, 2023, down from 381 policyholders as of December 31, 2022.

In 2019, the Company amended its business plan to begin offering medical stop-loss policies to employers who self-fund their medical plans. The Company cedes a portion of the risk to partner carriers of its affiliate, Disability Reinsurance Management Services, Inc., a third-party administrator and reinsurance intermediary.

The Company reports Separate Accounts representing assets and reserves for variable life insurance. The Separate Account assets are in various investments, such as mutual funds, and are accessible by the contract owners. The investment risk for this business is borne by the contract owners. The primary cash flow risks to the Company under the life segments relate to the adequacy of mortality and expense charges.

REINSURANCE

The Company reported the following distribution of premiums written for the year ended December 31, 2023:

	<u>Individual Life</u>	<u>Individual Life</u>	<u>Total Life</u>	<u>Group</u>	<u>Total</u>
Direct	\$ -	\$ -	\$ -	\$ 15,275,582	\$ 15,275,582
Assumed	(15,734,914)		(15,734,914)		(15,734,914)
Ceded	<u>(15,734,914)</u>	<u>393,841</u>	<u>(15,341,073)</u>	<u>6,636,468</u>	<u>(8,704,605)</u>
Total	<u>\$ -</u>	<u>\$ (393,841)</u>	<u>\$ (393,841)</u>	<u>\$ 8,639,114</u>	<u>\$ 8,245,273</u>

Premiums were ceded from SLOC net of external reinsurance. As the price for external reinsurance has increased, what is available to flow down to SLDE can be negative. In 2023, INDY assumed a negative premium from SLOC and ceded the negative premium to SLDE, as well as a small amount of premium to an outside reinsurer per the reinsurance agreements covering this business.

Assumed Reinsurance

Effective November 30, 2013, the Company entered into a reinsurance agreement with SLOC, an affiliate. Under the agreement, SLOC ceded to the Company 100% of the risks associated with certain universal life policies issued by SLOC between January 1, 2000, and February 28, 2006, on a 100% funds withheld coinsurance basis. Simultaneously with this agreement, the Company entered into a retrocession agreement with SLDE, which is described in more detail below.

Ceded Reinsurance

Effective November 30, 2013, the Company entered into a retrocession agreement with its direct subsidiary, SLDE, an authorized special purpose financial captive insurance company. The Company retroceded to SLDE 100% of the liabilities assumed pursuant to the SLOC reinsurance agreement noted above.

Effective October 1, 1993, the Company entered into a reinsurance agreement with Swiss Re Life & Health America, Inc. regarding a closed block of individual variable life insurance policies. The Company retains 50% of the amount issued on each policy, not to exceed \$50,000 per life.

FINANCIAL STATEMENTS

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

- Assets as of December 31, 2023
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2023
- Summary of Operations for the year ended December 31, 2023
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2018 to December 31, 2023

Independence Life and Annuity Company

Assets
As of December 31, 2023

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 218,664,199	\$ -	\$ 218,664,199
Cash	2,920,226		2,920,226
Contract Loans	6,786,991		6,786,991
Other invested assets	2,175,793		2,175,793
Investment income due and accrued	1,503,901		1,503,901
Uncollected premiums and agents' balances in the course of collection	417,323	8	417,315
Amounts recoverable from reinsurers	970,118		970,118
Funds held by or deposited with reinsured companies	2,961,329,081		2,961,329,081
Other amounts receivable under reinsurance contracts	37,283,561		37,283,561
Net deferred tax asset	809,418	525,833	283,585
Receivable from parent, subsidiaries and affiliates	594		594
Aggregate write-ins for other than invested assets:			
Miscellaneous assets	4,221,364		4,221,364
From separate accounts, segregated accounts and protected cell accounts	42,219,217		42,219,217
Total	<u>\$ 3,279,301,786</u>	<u>\$ -</u>	<u>\$ 3,278,775,945</u>

Liabilities, Surplus and Other Funds
As of December 31, 2023

		<u>Note</u>
Aggregate reserve for life contracts	\$ 14,114,544	1
Liability for deposit-type contracts	358,762	
Contract claims, Life	506,602	
Contract claims, accident & health	2,327,617	
Other amounts payable on reinsurance	36,895,527	
Interest maintenance reserve	5,119,594	
Commissions to agents due or accrued-life and annuity contracts	205,029	
Commissions and expense allowance payable on reinsurance assumed	791,293	
General Expenses due and Accrued	122,759	
Current federal and foreign income taxes	435,158	
Amounts withheld or retained by reporting entity as agent or trustee	1,058	
Remittances and items not allocated	944,765	
Asset valuation reserve	1,091,897	
Reinsurance in unauthorized and certified companies	1,338,169	
Payable to parent, subsidiaries and affiliates	367,155	
Funds held under coinsurance	<u>2,961,329,081</u>	2
Total Liabilities excluding separate accounts	\$ 3,025,949,010	
From separate accounts statement	<u>42,219,217</u>	
Total Liabilities	<u>\$ 3,068,168,227</u>	
Common capital stock	\$ 2,500,350	
Gross paid in and contributed surplus	407,719,681	
Unassigned funds (surplus)	(199,612,313)	
Surplus	<u>208,107,368</u>	
Total Liabilities, Capital and Surplus	<u><u>\$ 3,278,775,945</u></u>	

Summary of Operations
For the year ended December 31, 2023

Premiums and annuity considerations for life and health contracts	\$ 8,245,273
Net investment income	8,154,801
Amortization of interest maintenance reserve	373,738
Commissions and expense allowances on reinsurance ceded	3,312,887
Income from fees associated with investment management, administration and contract guarantees from separate accounts	1,214,220
Aggregate write-ins for miscellaneous income	85,471,511
Totals	\$ 106,772,430
Death benefits	\$ 4,717,884
Disability benefits and benefits under accident and health contracts	5,714,985
Surrender benefits and withdrawals for life contracts	1,050,890
Interest and adjustments on contract or deposit-type contract funds	44,837
Payments on supplementary contracts with life contingencies	31,222
Increase in aggregate reserves for life and accident and health contracts	(1,304,708)
Totals	\$ 10,255,110
Commissions on premiums, annuity considerations and deposit-type contract funds	585,841
Commissions and expense allowances on reinsurance assumed	3,312,887
General insurance expense and fraternal expenses	4,718,002
Insurance taxes licenses and fees, excluding federal income taxes	813,734
Net transfers to or (from) separate accounts net of reinsurance	(3,590,280)
Aggregate write-ins for deductions	85,382,375
Totals	\$ 101,477,669
Net gains from operations after dividends to policyholders, refunds to members and federal income taxes	\$ 5,294,761
Federal and foreign income taxes incurred	949,975
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	\$ 4,344,786
Net realized capital gains and losses	(72,650)
Net Income	\$ 4,272,136

**Reconciliation of Capital and Surplus
for the Period from the Prior Examination as of
December 31, 2018, to December 31, 2023**

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/2018	\$ 2,500,350	\$ 197,719,680	\$ (34,823,966)	\$ 165,396,064
12/31/2019 (1)			4,922,574	4,922,574
12/31/2019 (2)		180,000,000		180,000,000
12/31/2019 (3)			(180,078,337)	(180,078,337)
12/31/2020 (1)			2,497,913	2,497,913
12/31/2020 (3)			(67,724)	(67,724)
12/31/2021 (1)			2,047,123	2,047,123
12/31/2021 (2)		15,000,000		15,000,000
12/31/2021 (3)			(255,898)	(255,898)
12/31/2022 (1)			3,381,790	3,381,790
12/31/2022 (2)		15,000,000		15,000,000
12/31/2022 (3)			(807,312)	(807,312)
12/31/2022 (4)			(109,087)	(109,087)
12/31/2023 (1)			4,272,136	4,272,136
12/31/2023 (3)			(591,524)	(591,524)
Rounding		1		1
	<u>\$ 2,500,350</u>	<u>\$ 407,719,681</u>	<u>\$ (199,612,313)</u>	<u>\$ 210,607,718</u>

- (1) Net income
- (2) Surplus adjustment: Paid in
- (3) Changes in net unrealized capital gains (losses), net deferred income tax, nonadmitted assets, liability for reinsurance in unauthorized and certified companies, and change in AVR.
- (4) Aggregate write-ins for gains and losses in surplus: Prior period adjustment (FIT)

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Aggregate reserve for life contracts \$ 14,114,544

An actuarial review of the Group was conducted by Lewis and Ellis on behalf of the lead state. INS Consultants, Inc. (INS) then performed a peer review of Lewis and Ellis's actuarial work on the amounts captioned above. INS concluded that the balance sheet appeared to be fairly stated. Their opinion was accepted for the purposes of this examination.

Note 2:

Funds held under coinsurance \$ 2,961,329,081

Under terms and conditions of the reinsurance and retrocessional agreements, the Company recorded a receivable from SLOC, and retrocession funds withheld payable in an amount equal to the funds withheld coinsurance reserve on the effective date. The retrocessional funds withheld account balance will be adjusted to equal the receivable of SLOC as the funds withheld account is increased or decreased.

SUBSEQUENT EVENTS

On December 11, 2024, the Company issued 85 common shares, \$1.00 par value per share, to its sole shareholder, Life Holdco, for a subscription price of \$85,000,000.

SUMMARY OF RECOMMENDATIONS

There were no recommendations resulting from this examination.

The assistance and cooperation of the lead state Michigan, Department of Insurance and Financial Services, is appreciated and is acknowledged. In addition, the examination services of Examination Resources LLC, the actuarial services of Lewis and Ellis and INS, the outside audit firm, D&T, and the Company's management and staff is appreciated and is acknowledged.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Patrick White", written over a horizontal line.

Patrick White, CFE
Examiner-In-Charge
State of Delaware

A handwritten signature in cursive script, appearing to read "James M. Perkins", written over a horizontal line.

James Perkins, CFE
Supervising Examiner
State of Delaware

Independence Life and Annuity Company

I, Patrick White, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 24.015.

A handwritten signature in black ink, appearing to read "Patrick White", written over a horizontal line.

Patrick White, CFE
Examiner-In-Charge
State of Delaware