EXAMINATION REPORT

OF

DELAWARE LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2019

Office of the
Commissioner

Delaware
Department of Insurance

REPORT ON EXAMINATION

OF

DELAWARE LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2019

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 14 day of June, 2021

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May 17, 2021

Honorable Trinidad Navarro
Commissioner
Delaware Department of Insurance
1351 W. North St., Suite 101
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 20.016, dated March 3, 2020, an examination has been made of the affairs, financial condition and management of

DELAWARE LIFE INSURANCE COMPANY

hereinafter sometimes referred to as the Company or DLIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1209 Orange Street, Wilmington, Delaware 19801. The examination was conducted at the main administrative offices of the Company, located at 1601 Trapelo Road, Suite 30, Waltham MA 02451. The report of examination is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of DLIC. The last examination was conducted as of December 31, 2015 by the Delaware Department of Insurance (Department). This examination covers the four-year period from January 1, 2016 through December 31, 2019. The examination was a coordinated examination, and was conducted concurrently with the examination of other insurance entities within the Group One Thousand One holding company system (the Group), including: DL Reinsurance Company (DLRC), Delaware Life Insurance Company of New York (DLNY), Clear Spring Health Insurance Company (CSHIC), Eon Health, Inc. (GA) (EONGA), Community Care Alliance of Illinois, Inc. (CCAI), Clear Spring Health of Illinois, Inc. (CSHIL), Clear Spring Health (VA), Inc. (CSHVA), Clear Spring Property and Casualty Company (CSPC), Lackawanna American Insurance Company (LAIC), Lackawanna Casualty Company (LCC), and Lackawanna National Insurance Company (LNIC). The State of Delaware was the assigned lead state To the fullest extent, the efforts, resources, project materials and findings were coordinated and made available to all examination participants. Separate reports of examination were filed for each company.

We conducted our examination in accordance with the *National Association of Insurance Commissioners* (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.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers LLP (PwC). Certain auditor work papers of the 2019 audit of the Company have been 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 financial statements as a result of this examination.

COMPANY HISTORY

Prior to August 2, 2013, the Company, formerly known as Sun Life Assurance Company of Canada (U.S.) (SLUS), was a member of the Sun Life Financial insurance holding company system. It was incorporated under the laws of Delaware on January 12, 1970 and commenced business on January 1, 1973.

Effective August 1, 2013, Delaware Life Holdings, LLC (DLH), a Delaware limited liability company, acquired all of the issued and outstanding shares of the Company and its subsidiary, Sun Life Insurance and Annuity Company of New York (SLNY), for approximately $1.35 billion from Sun Life Financial Inc. (SLF). At the time of the acquisition, DLH was ultimately owned by Messrs. Mark R. Walter and Todd L. Boehly. Mr. Walter and Mr. Boehly were officers of, and held non-controlling ownership interests in, Guggenheim Partners, LLC, a privately held investment firm. DLH was formed as an acquisition vehicle for the transaction with SLF.

The purchase received prior approval on June 5, 2013 from the Department under 18 *Del. C.* § 5003.

Effective July 14, 2014, following the receipt of all required board, shareholder, and regulatory approvals, the Company's name was changed from SLUS to DLIC. On the same date, the name of SLNY was changed to DLNY.

On October 23, 2014, DLIC formed a new insurance subsidiary named DLRC, which was capitalized with $30 million. DLRC is a Delaware domestic insurance company licensed to do business only in the State of Delaware.

On June 24, 2015, the Company organized DL Investment Holdings 2015-1, LLC (DLIH 2015), a Delaware limited liability company, for the purpose of engaging in certain hedging activities associated with the Company's variable annuity products. During 2015, no capital contributions were made to DLIH 2015. During 2016, DLIC contributed a total of $539.4 million of capital to DLIH 2015. On December 28, 2018, DLIH 2015 amended and restated its Limited Liability Company Agreement to restructure its membership interests and include an affiliate of the Company, DLHP II AH, LLC (DLHP), as a party to the agreement. As part of the restructuring, the Company received 255,000 Series A Preferred Units (non-voting interests) with a value of $255.0 million in exchange for the equity of DLIH 2015 that was held by the Company prior to the restructuring. DLHP received 100% of the Series A Common Units (voting interests). The Company recorded an unrealized gain as a result of the restructuring equal to $98.0 million in 2018. In September 2018, DLIH 2015 distributed $15.0 million of capital back to the Company.

On December 31, 2019, the Company received a $15.8 million preferred dividend from DLIH 2015.

On December 28, 2016, DLIC organized DL Investment Holdings 2016-1, LLC (DLIH 2016-1), and DL Investment Holdings 2016-2, LLC, both Delaware limited liability companies, to engage in certain hedging activities associated with DLIC's annuity products. During 2017, DLIC contributed a total of $10.0 million of capital to DLIH 2016-1. During 2019, the Company contributed certain hedging instruments totaling $176.4 million to DLIH 2016-1.

On July 5, 2016, the Department received a divesture notice from Mr. Boehly stating that he would be divesting himself of his indirect controlling interest in DLH. He informed the Department that no funds would come from DLH or its subsidiaries upon divesture, but that the source of funds was from prior dividend distributions. Additionally, no party or person would be acquiring Mr. Boehly’s shares, including Mr. Walter himself. It was understood that if a party or person was to purchase Mr. Boehly’s shares, a Form A or other form may need to be filed with the Department.

On September 20, 2016, DLIC filed an amended Form B with the Department on behalf of DLIC and DLRC, and DLNY filed an amended Form HC-1 with the New York State Department of Financial Services, documenting the change in control as a result of Mr. Boehly’s divesture.

Effective January 1, 2017, the Company acquired CSPC (formerly known as SeaBright Insurance Company), a Texas domestic property and casualty insurance company. CSPC was acquired through Clear Spring PC Acquisition Corp., a Delaware corporation, and a direct subsidiary of Clear Spring PC Holdings, LLC, (CSPCH), a Delaware limited liability company. CSPCH was a joint venture between DLIC and a third-party, of which the Company owned 80% and the third-party owned 20%.

On October 5, 2017, the name of the Company's immediate parent was changed from Delaware Life Holdings, LLC to Group One Thousand One, LLC (GOTO).

On April 1, 2019, the Company acquired LCC, along with its subsidiaries LAIC and LNIC, each a Pennsylvania domiciled worker's compensation insurance company. Following the acquisition, DLIC owned all of the issued and outstanding Class A shares of common stock of LCC and all of the issued and outstanding Class B shares of common stock of LCC and all of the issued and outstanding Class B shares of common stock of LAIC and LNIC. On December 3, 2019, DLIC contributed the Class B shares of common stock of LAIC and LNIC to the capital of LCC, resulting in LAIC and LNIC being wholly owned by LCC.

On May 31, 2017, Clear Spring Health Holdings, LLC (CSHH) was formed as a direct subsidiary of the Company for the purpose of owning and operating health insurance plans. The initial target market has been the senior market, specifically Medicare Advantage with prescription drug coverage (MAPD) and stand-alone Medicare Part D prescription drug plans (PDP).

The following health insurance companies were newly formed or acquired by CSHH and, at December 31, 2019, represented the Group's Clear Spring Health group:

- On September 15, 2017, CSHIL was formed and subsequently licensed in Illinois as a Health Maintenance Organization (HMO), providing MAPD products in Illinois.
- On June 1, 2018, CSHH acquired Eon Health Plan, LLC (EHP) and its two subsidiaries, EONGA and Eon Health, Inc (SC), licensed in Georgia and South Carolina, respectively, as HMOs providing MAPD products in Georgia and South Carolina, respectively.
- On November 8, 2018, Clear Spring Health (CO), Inc. and CSHVA were formed and subsequently licensed in Colorado and Virginia, respectively, as HMOs providing MADP products in Colorado and Virginia, respectively.

- On April 1, 2019, CSHH acquired CSHIC (formerly known as Corvesta Life Insurance Company), an Arizona domiciled life and health insurance company, which subsequently provided PDP products in 41 states and the District of Columbia.
- On May 1, 2019, CSHH acquired CCAI (formerly known as Community Care Alliance of Illinois, NFP), an Illinois licensed HMO providing MAPD products in Illinois.

Capitalization

The Company's Amended and Restated Certificate of Incorporation provides that the Company has authority to issue 10,000 shares of common stock with a par value of $1,000 per share. As of December 31, 2019, there were 6,437 shares of common stock issued and outstanding at $1,000 per share par value that represented the Company's common capital stock in the total amount of $6,437,000. All common stock shares of the Company are owned by GOTO.

As of December 31, 2019, the Company reported capital and surplus of $1,583,312,542 as well as contributed surplus of $770,439,493. During 2019, the Company reported capital changes in the amount of $116,741,179, which was comprised of two capital contributions from GOTO in the amounts of $16,741,179 and $100,000,000.

Dividends

The Company's Board approved the following dividends during the exam period:

2016	$ 300,000,000 (1)
2017	$ 235,357,987 (2)
2018	$ 157,384,090 (3)
2019	$ 200,000,000 (4)

(1) On March 26, 2016, the Company paid an ordinary cash dividend of $169,492,370 and an extraordinary cash dividend of $30,507,630, for a total dividend of $200,000,000 to GOTO. Additionally, on September 7, 2016, the Company paid an extraordinary dividend of $100,000,000 to GOTO.
(2) On April 3, 2017 and October 11, 2017, the Company paid ordinary cash dividends of $135,357,987, and $100,000,000, respectively, to GOTO.
(3) On April 4, 2018, the Company paid an ordinary cash dividend of $157,384,090 to GOTO.
(4) On April 5, 2019, the Company paid an ordinary cash dividend of $200,000,000 to GOTO.

All dividends were approved in the Board minutes and proper filings were made with the Department for the ordinary and extraordinary dividends.

Surplus Notes

As of December 31, 2019, the Company had the following outstanding surplus notes:

	Surplus Note Amount	Date Issued	Date Matures	Note Holder	Interest Rate	CY Interest Paid
(1)	$ 150,000,000	12/15/1995	12/15/2027	Numerous (See note)	6.150%	$ 9,225,000
(2)	$ 150,000,000	12/15/1995	12/15/2032	Numerous (See note)	7.626%	$ 11,439,000
(3)	$ 7,500,000	12/15/1995	12/15/2027	Numerous (See note)	6.150%	$ 461,250
(4)	$ 7,500,000	12/15/1995	12/15/2032	Numerous (See note)	7.626%	$ 571,950
(5)	$ 250,000,000	12/22/1997	11/6/2027	Numerous (See note)	8.625%	$ 21,562,500

(1) Surplus Note B: Per this surplus note, interest is payable semi-annually in arrears on each June 15th and December 15th. The note holders of this note were Security Benefit Life Insurance Company, Heritage Life Insurance Company and EquiTrust Life Insurance Company. The interest paid on this surplus note was approved by the Department.

(2) Surplus Note C: Per this surplus note, interest is payable semi-annually in arrears on each June 15th and December 15th. The note holders of this note were Midland National Life Insurance Company and North American Company for Life and Health Insurance Annuity. The interest paid on this surplus note was approved by the Department.

(3) Surplus Note D: Per this surplus note, interest is payable semi-annually in arrears on each June 15th and December 15th. The note holder of this note was Security Benefit Life Insurance Company. The interest paid on this surplus note was approved by the Department.

(4) Surplus Note E: Per this surplus note, interest was payable semi-annually in arrears on each June 15th and December 15th. The note holder of this note was Guggenheim Life and Annuity Company. The interest paid on this surplus note was approved by the Department. Subsequently, on December 31, 2020, Surplus Note E was redeemed. Redemption was funded by GOTO with a capital contribution of $7,500,000 paid to the Company on December 31, 2020. The total amount redeemed was $7,525,424, which included $25,424 in accrued interest due, paid independently by the Company. The Department approved of the redemption on December 30, 2020.

(5) Surplus Note A: Per this surplus note, interest is payable semi-annually in arrears on each May 6 and November 6. The note holders of this note were Security Benefit Life Insurance Company, EquiTrust Life Insurance Company, Heritage Life Insurance Company and the Estate of Jeffery S. Lange, acting through JP Morgan Chase Bank, N.A., as its personal representative. The interest paid on this surplus note was approved by the Department.

During 2013, the Company entered into an agreement with Deutsche Bank Trust Company Americas (DBTCA), pursuant to which the surplus notes were taken into custody by DBTCA on behalf of the holders of the surplus notes, some of which are related parties.

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Amended and Restated Certificate of Incorporation and Amended and Restated bylaws, the business and affairs of the Company shall be managed by its Board, which may exercise all such powers of the corporation. The Company's bylaws state that the number of directors shall not be less than three (3). Further, the number of directors shall be determined by resolution of the Board or by the stockholders at the annual meeting. The directors shall be elected at the annual meeting of the stockholders and each director elected shall hold office until his or her successor is elected and qualified. As of December 31, 2019, the members of the Board, together with their respective principal occupation, were as follows:

Name and Location	**Principal Occupation**
Dennis Arthur Cullen Northbrook, Illinois	Independent Director; Audit Committee Chairman Retired
David Eugene Sams, Jr. Vero Beach, Florida	Independent Director; Chairman Delaware Life Insurance Company
Daniel Jonathan Towriss Zionsville, Indiana	Chief Executive Officer and President Delaware Life Insurance Company

The minutes of the meetings of the stockholder and the Board, 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 3 of the bylaws states that the Board may designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the Company. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company.

As of December 31, 2019, the only committee of the Board was the Audit/Nominating Committee, which consisted of two (2) members of the Board, Mr. Cullen and Mr. Sams. Both members of the Audit/ Nominating Committee are considered independent.

Officers

Article 5 of the bylaws states that the officers of the Corporation shall include a Chief Executive Officer, President, Secretary and a Treasurer. It further states that the Board may also appoint a chairman, one or more vice presidents and such other officers as are from time to time desired.

The officers 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 may be removed at any time, by the affirmative vote of a majority of the whole Board. Any vacancy occurring in any office of the Company shall be filled by the Board.

As of December 31, 2019, the Company's principal officers together with their respective titles were as follows:

Name	**Title**
Daniel Jonathan Towriss	Chief Executive Officer and President
David Eugene Sams, Jr.	Chairman
Fang Linda Wang	Chief Financial Officer
Michael Scott Bloom	Senior Vice President and General Counsel and Secretary
Victor Edward Akin	Senior Vice President and Chief Actuary
Andrew Francis Kenney	Chief Investment Officer
Michael Kevin Moran	Senior Vice President and Chief Accounting Officer and Treasurer
James Darrell Purvis	Chief Operating Officer
Robert Brian Stanton	Senior Vice President, Information Technology and Operations
Michelle Beth Wilcon	Senior Vice President, Human Resources

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

The Company maintains a formal written Code of Conduct, which sets out the ethical guidelines to which all directors, officers, employees, and temporary workers are expected to adhere to on a consistent basis when conducting business at and on behalf of the Company. Incorporated into the Code of Conduct is a conflict of interest policy. On an annual basis, directors, officers, employees, and temporary workers are required to complete an Annual Compliance Confirmation that acknowledges they have read and are complying with the Code of Conduct.

Effective September 20, 2018, the Board of the Company has adopted a Conflict of Interest Policy for Directors, which provides further guidance regarding conflicts that might arise among members of the Company's Board.

<u>Corporate Records</u>

The minutes of the meetings of the stockholder and Board, which were held during the period under examination, were obtained and reviewed. The recorded minutes of the stockholder and Board adequately documented their meetings, as well as the approval of Company transactions and events, including the authorization of investments as required by 18 *Del. C.* §1304 Authorization; record of investments. In addition, review of the Company's files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

<u>Insurance Holding Company System</u>

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

An abbreviated presentation of the holding company system as of December 31, 2019, is as follows:

Company	Domicile	% own
Mark R. Walter (individual) (1)		
Delaware Life Holdings Manager, LLC (2)	Delaware	100%
DLICM, LLC (3)	Delaware	100%
Delaware Life Holdings Parent II, LLC	Delaware	15.1%
DLHPII Equity Participation Company, LLC (3)	Delaware	100%
Delaware Life Holdings Parent II, LLC	Delaware	5.6%
Delaware Life Partners, LLC (4)	Delaware	
Delaware Life Holdings Parent II, LLC	Delaware	79.3%
Delaware Life Holdings Parent, LLC (5)	Delaware	100%
Group One Thousand One, LLC (6)	Delaware	91.9%
Delaware Life Insurance Company	**Delaware**	**100%**
Clear Spring PC Holdings, LLC (7)	Delaware	80%
Clear Spring PC Acquisition Corp.	Delaware	100%
Clear Spring Property and Casualty Company	Texas	100%
Conway Capital, LLC	Delaware	50%
Lackawanna Casualty Company (8)	Pennsylvania	100%
Lackawanna National Insurance Company	Pennsylvania	100%
Lackawanna American Insurance Company	Pennsylvania	100%
Delaware Life Insurance Company of New York	New York	100%
DL Reinsurance Company	Delaware	100%
Delaware Life Reinsurance (U.S.) Corp.	Oklahoma	100%
Delaware Investment DELRE Holdings 2009-1, LLC	Delaware	100%
DL Investment Holdings 2016-1, LLC	Delaware	100%
DL Investment Holdings 2016-2, LLC	Delaware	100%
Clarendon Insurance Agency, Inc.	Massachusetts	100%
DL Private Placement Investment Company I, LLC	Delaware	100%
DL Service Holdings, LLC	Alaska	100%
Clear Spring Health Holdings, LLC (9)	Delaware	100%
Clear Spring Health of Illinois, Inc.	Illinois	100%
Clear Spring Health Management Services, LLC	Delaware	100%
Community Care Alliance of Illinois, Inc.	Illinois	100%
Clear Spring Health Resources, Inc.	Delaware	100%
Clear Spring Health (CO), Inc.	Colorado	100%
Clear Spring Health Insurance Company	Arizona	100%
Clear Spring Health (IL), Inc.	Illinois	100%
Clear Spring Health (VA), Inc.	Virginia	100%
EON Health Plan, LLC	Delaware	100%
EON Health, Inc.	Georgia	100%
EON Health, Inc.	South Carolina	100%
IDF IX, LLC	Delaware	100%
IDF X, LLC	Delaware	100%
Ellendale Insurance Agency, LLC	Delaware	100%
EDL Holdings II, LLC	Delaware	100%
EDL Holdings, LLC	Delaware	100%
ELND Collateral Company II, LLC	Delaware	100%

EDIA Funding II, LLC	Delaware	100%
EDIA Funding I, LLC	Delaware	100%
EDIA Funding III, LLC	Delaware	100%
EDIA Funding IV, LLC	Delaware	100%
ELND Collateral Company, LLC	Delaware	100%
ELND Collateral Company Parent, LLC	Delaware	100%
Delaware Life Marketing, LLC	Delaware	100%
Dansbury Capital, LLC	Delaware	100%
Delaware Life (Bermuda) Holdings, Inc.	Delaware	100%
Delaware Life Insurance and Annuity Company (Bermuda) Ltd.	Bermuda	100%
Armstrong STF IV, LLC	Delaware	100%
1001 Capital, LLC	Delaware	100%
Group One Thousand One Advisory Services, LLC	Delaware	100%
Delaware Life Reinsurance (Barbados) Corp.	Barbados	100%
Wright STF III, LLC	Delaware	100%
Group One Thousand One Services, Inc.	Delaware	100%
G1001 Advisory Resources, LLC	Delaware	100%
Group 1001 Resources, LLC	Delaware	100%
PSA Realty Company	Pennsylvania	100%
Group 1001 Indiana Holdings, LLC	Indiana	100%
Gainbridge Insurance Agency, LLC	Delaware	100%
Tomorrow Loyalty Services, LLC	Delaware	100%

(1) Mark R. Walter, an individual, holds 100% of the voting membership interests in DLICM, LLC (DLICM) and DLHPII Equity Participation Company, LLC (DEPC).

(2) Delaware Life Holdings Manager, LLC is owned 100% by Mr. Walter; it is the designated Manager of (1) Delaware Life Holdings Parent II, LLC (DLHPII), (2) Delaware Life Holdings Parent, LLC (DLHP) and (3) GOTO.

(3) DLICM and DEPC together held a 20.73% economic / 100% voting membership interest in DLHPII.

(4) Delaware Life Partners, LLC (DLP) held a 79.27% economic / non-voting membership interest in DLHPII. DLP is identified as a non-voting passive investor in DLHPII.

(5) DLHP held a 91.8% economic / voting membership interest in GOTO. Daniel J. Towriss, an individual, held an 8.11% economic / voting membership interest in GOTO.

(6) On October 5, 2017, DLH was renamed GOTO.

(7) At December 31, 2019, CSPCH was a joint venture between the Company and a third party. On December 30, 2020, the Company purchased 200 units of its 80% owned subsidiary, CSPCH, representing the 20% minority interest owned by the third party, resulting in the Company’s 100% ownership of CSPCH. CSPC is an indirect wholly-owned subsidiary of CSPCH. A Statement of Divesture from the third party was not required by the Texas Department of Insurance pursuant to Texas Insurance Code 823.164(f)(2), as the Company already owned more than 50% of CSPC.

(8) On April 1, 2019, the Company acquired LCC, along with its subsidiaries LAIC and LNIC, each a Pennsylvania domiciled worker's compensation insurance company. Following the acquisition, the Company owned all of the issued and outstanding Class A shares of common stock of LCC and all of the issued and outstanding Class B shares of common stock of LCC, and all of the issued and outstanding Class B shares of common stock of LAIC and LNIC. On December 3, 2019, the Company contributed the Class B shares of common stock of LAIC and LNIC to the capital of LCC, resulting in LAIC and LNIC becoming wholly owned by LCC.

(9) On May 31, 2017, CSHH was formed as a direct subsidiary of the Company, for the purpose of owning and operating health insurance plans. The initial target market has been the senior market, specifically Medicare Advantage with prescription drug coverage (MADP), and stand-alone Medicare Part D prescription drug plans (PDP).

Agreements with Affiliates

Services Agreement

Effective January 1, 2017, the Company entered into a service agreement with CSPC, whereby the Company furnishes certain administrative and functional services to CSPC.

Administrative Services Agreement

Effective January 1, 2017, the Company entered into an administrative services agreement with Delaware Life Reinsurance (U.S.) Corp (DLOK), whereby the Company provides certain services to DLOK, including finance, legal, compliance, administrative, and other operational and support functions.

Services Agreement

Effective October 1, 2017, the Company entered into a service agreement with Delaware Life Reinsurance (Barbados) Corp. (Barbco), whereby the Company provides certain administrative and functional services to Barbco.

Services and Resource Sharing Agreement

Effective January 1, 2018, the Company entered into a services and resource sharing agreement with Group One Thousand One Advisory Services, LLC (GOTO Advisory), whereby the Company provides certain administrative and functional services to GOTO Advisory and further permits GOTO Advisory to make use in its day-to-day operations of certain Company personnel as well as property, equipment and facilities as requested by GOTO Advisory. With respect to the services and provision of investment advice and investment services GOTO Advisory provides to its insurance company clients, the Company makes available certain personnel as part of a staffing arrangement and does not render any advisory services to GOTO Advisory's insurance company clients under this agreement.

Services and Resource Sharing Agreement

Effective June 1, 2018, the Company entered into a services and resource sharing agreement with EHP, whereby the Company provides certain services to EHP, including finance, legal, compliance, investment and other support functions.

Services and Resource Sharing Agreement

Effective October 1, 2018, the Company entered into a services and resource sharing agreement with CSHH, whereby the Company provides certain services and resources to CSHH, including personnel for finance, legal, compliance, human resources, administrative and other operational support functions.

Facilities Use Agreement

Effective January 1, 2019, the Company entered into a facilities agreement with Group 1001 Resources, LLC (GOTO Resources), whereby the Company provides GOTO Resources with the use of certain property, equipment and facilities of the Company, whether leased or owned, for use in GOTO Resources' day-to-day operations.

Services and Resource Sharing Agreement

Effective January 1, 2019, the Company entered into a services and resource sharing agreement with GOTO Resources, whereby GOTO Resources provides certain services and resources to the Company, including personnel for finance, legal, compliance, human resources, information technology (IT) and other operational support functions.

Services and Resource Sharing Agreement

Effective January 1, 2019, the Company entered into a services and resource sharing agreement with Clear Spring Health Management Services, LLC (CSHMS), whereby CSHMS provides certain services and resources to the Company, including personnel for finance, legal, compliance, human resources, administrative, IT and other operational support functions.

Services and Resource Sharing Agreement

Effective January 1, 2019, the Company entered into a services and resource sharing agreement with CSHMS, whereby the Company provides certain services and resources to CSHMS, including personnel for finance, legal, compliance, human resources, administrative, IT and other operational support functions.

Administrative Services Agreement

Effective January 1, 2019, the Company entered into an administrative services agreement with Delaware Life Marketing, LLC (DLM), a licensed insurance agency, whereby the Company provides certain services and use of facilities to DLM related to the primary business of DLM, which is the distribution of the Company’s annuity and life insurance products and related activities.

Amended and Restated Master Agency Agreement

Effective January 1, 2019, the Company entered into an amended and restated master agency agreement with DLM, whereby DLM provides certain distribution and agent management services to the Company, including: (a) soliciting and procuring applications and effectuating sales of annuity and/or life insurance contracts; (b) recruiting and recommending independent insurance producers, agencies, independent marketing organizations or brokers for appointment as agents; (c) accepting certain responsibilities and duties with respect to non-recruited insurance producers, agencies, independent marketing organizations and brokers appointed as agents and (d) overseeing, supervising, training and compensating appointed agents in connection with the sales of the Company's products.

Agreements with Related Parties

Middle Office Services Agreement [(1)]

Effective July 23, 2018, the Company entered into a Middle Office Services Agreement with Guggenheim Insurance Services, LLC (GIS), under which GIS provides certain middle office services, including, but not limited to, operational aspects of settlement of contracts and transactions in securities between the Company and its counter-parties. This agreement was approved by the Department on December 17, 2019, with an effective date of July 23, 2018.

This Middle Office Services Agreement was entered into in conjunction with the Cost and Liability Allocation Agreement with Guggenheim Life and Annuity Company (GLAC) and GIS.

Cost and Liability Allocation Agreement with GLAC and GIS [(1)]

Effective July 23, 2018, the Company entered into a Cost and Liability Allocation Agreement with GLAC and GIS. Both the Company and GLAC have entered into separate Middle Office Services Agreements with GIS, under which GIS provides certain middle office services, including, but not limited to, operational aspects of settlement of contracts and transactions in securities between GLAC and its counter parties and between DLIC and its counter parties. The Company, GLAC, and GIS have each separately entered into an Aladdin® Access Agreement with Blackrock Financial Management, Inc. (Blackrock), under which Blackrock has implemented and is providing its proprietary Aladdin® trading, portfolio management and risk reporting system for the investment portfolios of each company.

Under terms of this agreement, the Companies have each agreed that GIS will utilize Blackrock's Aladdin® System in connection with providing services to the Companies under their respective Middle Office Services Agreements. GIS shall reimburse each Company for all fees and other charges incurred under their respective Aladdin® Access Agreements. This agreement was approved by the Department on February 3, 2020, with an effective date of July 23, 2018.

Limited Discretionary Investment Advisory Agreement (1)

Effective September 1, 2018, the Company entered into a limited discretionary investment advisory agreement with Guggenheim Investment Advisors, LLC (GIA), a related party, whereby GIA provides investment advisory services to the Company.

(1) In connection with DLH's August 2013 acquisition of the Company, the Company's controlling persons agreed to comply with the filing and other requirements contained in 18 *Del. C.* §5005(a) with respect to transactions §5005(a)(2) between DLIC and members of the Sammons Enterprises Group and/or Guggenheim Capital Group, pursuant to the terms of a letter agreement dated as of May 17, 2013 (the Letter Agreement) among the Department, DLH, and certain persons with direct and indirect ownership interest in DLH.

Other Intercompany Agreements

The following agreements were entered into prior to the period covered by this examination and remained in effect as of December 31, 2019:

Description	**Effective Date**
Amended and Restated Administrative Services Agreement with DLNY	November 21, 2000 (1)
Administrative Services Agreement with DLIAC	January 1, 2002 (2)
Principal Underwriter's Agreement with Clarendon	April 1, 2002 (3)
Administrative Services Agreement with Clarendon	December 1 2008
Services Agreement with GIS	August 1, 2013 (4)
Services Agreement with GCREF	August 1, 2013 (4)
Investment Services Agreement with GPIM	August 2, 2013 (4)
Investment Management Agreement with GPIM	August 2, 2013 (4, 5)
Services Agreement with se^2, LLC	November 11, 2013 (6)
Selling Agreement with GIS and South Blacktree Insurance Agency, LLC	December 1, 2014 (4)
Tax Sharing Agreement with DLNY, DLRC and Clarendon	December 15, 2014
Administrative Services Agreement with DLRC	December 22, 2014
Master Agency Agreement with Dunbarre Insurance Agency, LLC	February 1, 2014 (6)
Master Agency Agreement with Divinshire Insurance Agency, LLC	May 18, 2015 (6)

(1) The agreement was amended effective December 31, 2001, and December 1, 2006.
(2) This agreement was amended effective December 6, 2006 and October 1, 2017.

(3) This agreement was amended effective January 1, 2003, December 1, 2006 and December 1, 2008.
(4) In connection with DLH's August 2013 acquisition of DLIC, DLIC's controlling persons agreed to comply with the filing and other requirements contained in 18 *Del. C.* §5005(a) with respect to transactions between DLIC and members of the Sammons Enterprises Group and/or Guggenheim Capital Group, pursuant to the terms of the Letter Agreement.
(5) This agreement was amended effective October 1, 2014.
(6) These agreements were considered related-party agreements during the prior examination period and were filed with the Department pursuant to 18 *Del. C.* §5005(a). These agreements remain in place as of December 31, 2019; however, during the examination period, the entities became unaffiliated with the groups covered by the Letter Agreement. Consequently, they are no longer considered related-party agreements.

Acronym Legend
Clarendon – Clarendon Insurance Agency, Inc.
GCREF – Guggenheim Commercial Real Estate Finance, LLC
GPIM – Guggenheim Partners Investment Management, LLC

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2019, the Company was licensed to transact multiple lines of insurance business in 49 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. The Company was not licensed in New York. No new jurisdictions were added during the period under examination.

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

Plan of Operation

As of December 31, 2019, approximately thirty-eight percent (38.0%) of direct premiums were produced in five states. The geographical breakdown of direct written premiums as of December 31, 2019 was Indiana, $240,738,186 (9.2%); Pennsylvania, $235,113,479 (9.0%); North Carolina, $184,356,947 (7.0%); Florida, $172,796,618 (6.6%); Ohio, $163,711,484 (6.2%) and other jurisdictions, $1,624,722,569 (62.0%).

The primary business of the Company and its insurance subsidiary, DLNY, includes the issuance and administration of a variety of wealth accumulation products, protection products and institutional investment contracts. These products include individual and group variable life insurance; individual and group universal life insurance; individual and group fixed and variable annuities; and funding agreements.

Lines of Business and Products

The Company ceased writing new individual life and annuity business, effective December 31, 2011, and had continued accepting limited applications for certain private placement variable annuities until mid-2012. On September 27, 2013, following completion of the sale of the Company to GOTO, the Company's Board authorized the Company to issue new funding agreements, fixed annuities, variable annuities, single premium life insurance, private placement products on a fixed and variable basis and to utilize its existing separate accounts in conjunction therewith.

The Company's existing business includes a closed block of variable annuities and individual life products, which prior to the acquisition by the new ownership group, had been placed in run-off by SLF. The individual life insurance block includes a large block of single premium whole life business, along with a closed block of bank-owned life insurance (BOLI) and corporate-owned life insurance (COLI) variable universal life (VUL) business that is partially reinsured to Barbco, a Barbados affiliate.

The legacy variable annuity business contains three types of guarantees: Guaranteed Minimum Death Benefits, which makes up roughly 60% of the book of business; Guaranteed Minimum Withdrawal Benefits, which represent a third of the variable annuity business and a modest amount of Guaranteed Minimum Accumulation Benefits. Prior to the acquisition from

SLF, the variable annuity block was sold through banks, wirehouses and independent brokers. Additionally, there is a large block of fixed annuities including a modest amount of fixed index annuities (FIAs) and a modest amount of pension products.

During the examination period, the Company marketed a multi-year guaranteed annuity (MYGA) called Pinnacle MYGA®. Pinnacle MYGA is a single premium deferred annuity with a market value adjustment feature that earns a fixed rate of interest guaranteed for a guaranteed period. The product offers multiple guarantee periods (from 3 to 10 years) to align with the Company's customers' specific needs. It was launched in November 2013 and is marketed through select independent marketing organizations and financial institutions.

In 2015, the Company began selling new FIA products named Retirement Chapters 10® and Retirement Stages 7®. These products are flexible premium FIAs that protect the principal from market losses, while offering the opportunity to earn interest based on the performance of a stock market index. Retirement Chapters 10 adds a 5% bonus on the first-year premium payments. Both products offer a Guaranteed Living Benefit option to guarantee growth on an income base at an additional cost.

In 2017, the Company began selling a new MYGA named Delaware Life Summit 5 Fixed Annuity® (Summit 5). Summit 5 is a single premium deferred annuity that earns a fixed rate of interest guaranteed for a five-year period. This product was offered through a limited group of financial institutions and closed to new sales in late 2020.

In 2017, the Company also began selling a new FIA product named Delaware Life Assured Income 7® Assured Income 7). This product is a flexible premium FIA that protects the principal from market losses, while offering the opportunity to earn interest based on the performance of a stock market index. Assured Income 7 includes a Guaranteed Living Benefit option to guarantee growth on an income base at an additional cost. The product was closed to new sales effective November 1, 2020.

In 2018, the Company began selling a new FIA product named Delaware Life Target Income 10® (Target Income 10). This product is a flexible premium FIA that protects the principal from market losses, while offering the opportunity to earn interest based on the performance of a stock market index. Target Income 10 includes a Guaranteed Living Benefit option to guarantee growth on an income base at an additional cost.

In late 2018, the Company introduced a new Variable Annuity (VA) product named Delaware Life Masters Prime Variable Annuity®. (Masters Prime). Masters Prime is a flexible premium VA that can help clients overcome rising costs of inflation and market volatility, as well as establish a steady stream of income for retirement. The product offers multiple Death Benefit Options (Highest Anniversary Value and Return of Premium) and a Guaranteed Living Benefit rider at an additional cost.

In late 2019, the Company introduced a single premium fixed annuity, referred to informally as the Non-qualified Structured Settlement Annuity. This product is intended for the non-qualified structured settlement market and is not actively marketed. The buyer can choose immediate or deferred income under this product.

<u>Distribution System</u>

During the examination period, the Company had the following three primary retail distribution channels to distribute its products: (1) independent agents; (2) banks and (3) independent broker dealers.

Prior to January 1, 2019, the Company employed all persons (the Employees) performing services to support the business and operations of the Company and its affiliates, including distribution support services.

Effective January 1, 2019, the Employees were transitioned to a new affiliate, GOTO Resources. In addition, the Employees providing distribution support services to the Company began providing such services through a new affiliated master agency, DLM, pursuant to an Administrative Services Agreement between GOTO Resources and DLM.

Effective January 1, 2019, the Company began using the master agency services of DLM to provide distribution support services to its retail distributors. DLM provides these services to the Company through two agreements – an Amended and Restated Master Agency Agreement, and an Insurance Networking Agreement between DLM and Clarendon.

Under the Insurance Networking Agreement, DLM and Clarendon provide marketing and wholesaling services supporting the sale of the Company's variable annuity products. Clarendon is a subsidiary of the Company, is a licensed insurance agency and an SEC-registered broker dealer. It serves as the principal underwriter for the variable insurance products issued by the Company and DLNY. Certain of the Employees supporting DLM are registered representatives of Clarendon.

Prior to January 1, 2020, the three retail distribution channels received wholesaling support primarily from unaffiliated independent marketing organizations (IMOs). The last of these wholesaling arrangements was terminated in mid-2020; however, DLM continues to contract with unaffiliated IMOs to provide marketing support to independent agents and certain broker dealers that sell DLIC's fixed and fixed index annuities.

Starting in January 2020, DLM assumed responsibility for providing wholesale support to retail banks and certain retail broker dealers distributing the Company's annuity products. DLM developed and launched a new internal wholesaling function that had 15 external wholesalers and 9 internal wholesalers as of June 30, 2020. DLM also continues to use IMOs and certain broker dealers to market the Company's fixed and fixed index annuities through independent agents. As noted above, these selling arrangements receive marketing support from unaffiliated IMOs rather than from the Company's internal wholesaling function.

As of June 30, 2020, in addition to its wholesaling function, DLM had 5 field relationship managers who provide distribution support to retail distributors. DLM had contracted with approximately 20 banks, 39 broker dealers and 9,000 agents to support the retail distribution of the Company's annuity products, plus an additional 22 unaffiliated IMOs and 15,000 agents contracted to sell the Company's fixed and fixed index annuities. The total number of agents in all distribution channels was 24,000 as of the end of June 2020.

The chart below provides the total agent counts and breakdown by channel as of December 31st in each year from 2016 to 2019. The number of agents under the Independent Distribution column decreased from 2017 to 2018 as the Company revised its contractual relationships with certain IMOs. The new contractual arrangements included supervisory provisions similar to those used by banks and broker dealers, thereby reducing the number of agents contracted directly with the Company. Agents under the revised IMO contractual relationships are counted under the Bank/Broker Dealer column. The number of agents under the Bank/Broker Dealer column decreased between 2018 and 2019 as DLM added new relationships in the Independent Distribution column and amended or terminated some of the IMO contracts that had added agents to the Bank/Broker Dealer column during 2018.

Year	Total Number of Agents (All Channels)	Bank/Broker Dealer	Independent Distribution
2016	13,000	6,500	6,500
2017	15,000	7,000	8,000
2018	15,400	9,000	6,400
2019	21,500	8,000	13,500

REINSURANCE

For 2019, the Company reported the following distribution of net premiums written:

Direct	$ 2,616,422,032
Reinsurance assumed (from affiliates)	-
Reinsurance assumed (from non-affiliates)	-
Total direct and assumed	$ 2,616,422,032
Reinsurance ceded (to affiliates)	(28,989,574)
Reinsurance ceded (to non-affiliates)	(175,148,949)
Net premium written	$ 2,412,283,509

The Company had the following reinsurance program in effect as of December 31, 2019:

Assumed

The Company does not assume any life business. There is a block of reinsured fixed annuities assumed by the Company on a 100% coinsurance basis under an agreement effective July 26, 1999. The ceding company handles policy administration while the Company retains the risk. The Company has indicated that it does not have any current plans or intentions to acquire additional assumed or assumption reinsurance.

Ceded

Life Block

The Company's retention limits are set periodically by resolution of the Board. The current retention limit is $2 million. The Company decreased its retention from $6 million to $2 million in 2016 for VUL products. Retained amounts in excess of $2 million but less than $6 million for most variable life insurance products were ceded to Canada Life Assurance Company under a yearly renewable term (YRT) reinsurance agreement, effective January 1, 2016. The Company decreased its retention from $6 million to $2 million in 2017 for corporate-owned life insurance (COLI) business. Retained amounts in excess of $2 million but less than $6 million were ceded to Swiss Re Life & Health America Inc. (Swiss Re), effective June 1, 2017. For policies issued prior to November 2011, retained amounts in excess of $6 million and the $2 million to $6 million corridor above the Company's retention limit were ceded to the United States Branch of Sun Life Assurance Company of Canada (SLOC), a former affiliate, on a YRT basis.

For most of the variable life products, multiple reinsurers are engaged, generally through the use of an automatic first dollar quota share pool structures with an immaterial amount of risk ceded on a facultative basis. For the most part, the form of reinsurance has been YRT. The pool participants have changed over time as some reinsurers have exited the market or increased premium rates, giving rise to the need to replace them with new pool members. When a reinsurer leaves as a pool participant, the reinsurance agreement terminates for new business, but existing business usually remains in-force for future premium and claim payments, and generally represents a material amount of reinsurance ceded.

For universal life products, two 50% modified coinsurance treaties were entered into in 2007. These arrangements were recaptured by the Company, effective June 1, 2013. This reinsurance was replaced by a YRT reinsurance treaty as of June 1, 2013.

A COLI VUL treaty was recaptured effective August 1, 2018, due to a proposed rate increase. The reinsured risks were simultaneously assumed under a new YRT treaty, effective August 1, 2018. In addition, effective September 1, 2017, VUL cessions under a YRT treaty effective September 17, 2007 are being recaptured on a rolling basis at the end of each policy's tenth duration after the policy issue date.

For COLI VUL products, a reinsurance agreement was entered into between the Company and Barbco, effective December 31, 2008. General account reserves are ceded 100% on a funds-withheld basis, and 100% of separate account risks are ceded, after third-party YRT cessions. This agreement is a combination of coinsurance, funds-withheld coinsurance and modified coinsurance. The Company, as cedant, controls all assets held in relation to the funds-withheld coinsurance and the modified coinsurance.

For large BOLI products, the Company entered into a Novation Agreement with SLOC, a former affiliate, and Barbco, effective on July 31, 2013. Pursuant to this Novation Agreement, Barbco was substituted as reinsurer under the original June 12, 2000 reinsurance agreement between the Company and SLOC, whereby the Company ceded to SLOC, on a YRT basis, certain risks under group flexible premium VUL policies.

For a small block of single premium whole life insurance (SPWL) policies acquired when the former Keyport Life Insurance Company merged with and into the Company, the Company had a 100% coinsurance agreement with Liberty Bankers Life Insurance Company. The last policy ceded under this agreement terminated in 2017. A larger block of SPWL business that continues to have policies in force was not reinsured under this agreement.

For COLI policies, the Company also entered into an Accidental Death Carve Out Reinsurance Agreement with an external reinsurer, effective July 1, 2017 through June 30, 2019. This is an indemnity reinsurance agreement for accidental death coverage carve out from the retention for COLI policies. A new agreement between the same parties was negotiated in 2019 and is effective July 1, 2019 through June 30, 2021.

Variable Annuity Block

The Company entered into three treaties effective in 1999 covering certain of its VA products, whereby a portion of the reserve was ceded on a YRT basis. These treaties were terminated and recaptured in 2019 – two were effective March 1, 2019, and one was effective April 1, 2019.

Effective December 31, 2014, the Company entered into a combination modified coinsurance and funds-withheld coinsurance agreement with DLRC, its wholly-owned subsidiary. Under this agreement, the Company cedes certain risks of its VA products to DLRC. Approval of this agreement was received from the Department on December 29, 2014. It is accounted for using deposit accounting in accordance with NAIC *Statutory Statement of Accounting Principles* (SSAP) No. 61R – *Life, Deposit-Type and Accident and Health Reinsurance*.

Effective January 1, 2018, and amended and restated effective July 1, 2018, the Company entered into a treaty that cedes in-force VA base policies on a coinsurance and modified coinsurance basis. The treaty only covers the policyholder base contract risks and not any guaranteed living benefit or death benefit risks.

Effective January 1, 2019, the Company entered into three separate HMO specific excess of loss reinsurance agreements, which cede Medicare Advantage accident and health expenses on covered persons in Colorado, North Carolina and Virginia.

Fixed Annuity Block

A small block of single premium immediate annuity business was ceded to an external reinsurer under a 100% coinsurance treaty effective February 1, 1996. Subsequently, this business was assumed by and administered by another reinsurer.

Effective January 1, 2015, the Company entered into a reinsurance agreement with its wholly-owned subsidiary, DLRC, pursuant to which DLRC assumed and the Company ceded, on an indemnity coinsurance funds-withheld basis, the quota share of risks associated with various FIA products and associated riders. The reinsurance agreement transferred hedging risk from the Company to DLRC. Approval of this agreement was received from the Department on June 30, 2015. It was accounted for using deposit accounting in accordance with SSAP No. 61R – *Life, Deposit-Type and Accident and Health Reinsurance*. This treaty was partially recaptured as of January 1, 2019, and fully recaptured as of April 1, 2019.

Effective April 1, 2018, the Company entered into a treaty covering guaranteed living withdrawal benefits (GLWBs) on its FIA product, Target Income 10, whereby 80% of the GLWB risks are ceded on a coinsurance basis with a funds-withheld account.

Reinsurance Contract Review

A review was performed of the new reinsurance contracts put into place during the examination period for compliance with 18 *Del. Admin Code* §1000 and applicable SSAPs. No exceptions were noted.

FINANCIAL STATEMENTS

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

General Account:

- Statement of Assets and Liabilities as of December 31, 2019
- Statement of Income for the Year ended December 31, 2019
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2015 to December 31, 2019

Separate Accounts:

- Statement of Assets and Liabilities as of December 31, 2019

Statement of Assets and Liabilities
As of December 31, 2019

	Assets	Nonadmitted Assets	Net Admitted Assets	Note
Bonds	$ 10,918,152,827		$ 10,918,152,827	
Stocks				
Preferred stocks	769,766,609		769,766,609	
Common stocks	779,463,155		779,463,155	
Mortgage loans on real estate				
First liens	605,232,227		605,232,227	
Other than first liens	1,150,994		1,150,994	
Cash and cash equivalents	750,578,871		750,578,871	
Short-term investments	730,163,177		730,163,177	
Contract loans	401,138,854	199,812	400,939,042	
Derivatives	335,700,403		335,700,403	
Other invested assets	928,212,921	49,365,627	878,847,294	
Receivables for securities	36,500,481		36,500,481	
Aggregate write-ins for invested assets	2,826,704		2,826,704	
Subtotals, Cash and Invested Assets	$ 16,258,887,223	$ 49,565,439	$ 16,209,321,784	
Investment income due and accrued	153,300,838		153,300,838	
Premiums and considerations				
Accrued retrospective premiums	33,720		33,720	
Reinsurance				
Amounts recoverable from reinsurers	9,905,082	355,680	9,549,402	
Other amounts receivable under reinsurance contracts	4,210,796	161,407	4,049,389	
Amounts receivable related uninsured plans	87,049		87,049	
Current federal and foreign income tax recoverable and interest thereon	49,946,793		49,946,793	
Net deferred tax asset	79,469,081		79,469,081	
Electronic data processing equipment and software	1,616,025	1,147,090	468,935	
Furniture and equipment, including health care delivery assets	502,766	502,766	-	
Receivable from parent, subsidiaries and affiliates	109,968,685	6,609,034	103,359,651	
Health care and other amounts receivable	20,404		20,404	
Aggregate write-ins for other than invested assets	397,446,505	8,781,028	388,665,477	
Total assets excluding Separate Accounts	$ 17,065,394,967	$ 67,122,444	$ 16,998,272,523	
From Separate Accounts	20,832,307,563	-	20,832,307,563	
Total Assets	$ 37,897,702,530	$ 67,122,444	$ 37,830,580,086	

		Note
Aggregate reserves for life contracts	$ 13,486,913,374	1
Aggregate reserves for accident and health contracts	679,052	1
Liability for deposit type contracts	671,845,216	1
Contract claims		
Life	33,805,754	1
Accident and Health	131,452	1
Contract liabilities not included elsewhere		
Surrender values on canceled contracts	39,353	
Other amounts payable on reinsurance	16,698,381	
Interest Maintenance Reserve	39,562,771	
Commissions to agents due or accrued	20,383,003	
General expenses	18,676,584	
Transfers to Separate Accounts	(233,008,743)	
Taxes, licenses and fees	3,951,223	
Unearned investment income	9,185,119	
Amounts withheld or retained by company as agent or trustee	555,733	
Remittances and items not allocated	17,404,564	
Asset valuation reserve	250,889,983	
Reinsurance in unauthorized and certified companies	584,732	
Funds held under reinsurance treaties with unauthorized and certified reinsurers	245,590,198	
Payable to parent, subsidiaries, and affiliates	15,094,808	
Liability for amounts held under uninsured plans	12,896	
Funds held under coinsurance	371,889,249	
Derivatives	117,942,105	
Payable for securities	191,881,231	
Aggregate write ins for liabilities	134,253,225	
Total liabilities excluding Separate Accounts	$ 15,414,961,263	
From Separate Accounts Statement	20,832,306,281	
Total Liabilities	$ 36,247,267,544	
Common capital stock	6,437,000	
Surplus notes	565,000,000	
Gross paid in and contributed surplus	770,439,493	
Unassigned funds (surplus)	241,436,049	
Total Capital and Surplus	$ 1,583,312,542	
Totals	$ 37,830,580,086	

Statement of Income
For the Year Ended December 31, 2019

Premiums and annuity considerations for life and accident and health contracts	$ 2,412,283,509
Considerations for supplementary contracts with life contingencies	42,185,945
Net investment income	426,911,719
Amortization of Interest Maintenance Reserve	9,295,812
Commissions and expense allowances on reinsurance ceded	113,810,958
Reserve adjustments on reinsurance ceded	(1,652,187,770)
Miscellaneous Income	
Income from fees associated with investment management, administration and contract guarantee from Separate Accounts	346,576,016
Aggregate write ins for miscellaneous income	58,008,495
Total	$ 1,756,884,684
Death benefits	97,356,105
Annuity benefits	315,500,116
Disability benefits and benefits under accident and health contracts	665,997
Surrender benefits and withdrawals for life contracts	1,275,361,038
Interest and adjustments on contract or deposit type contract funds	8,162,896
Payments on supplementary contracts with life contingencies	44,396,126
Increase in aggregate reserves for life and accident and health contracts	1,318,633,932
Total	$ 3,060,076,210
Commissions on premiums, annuity considerations and deposit type contract funds	186,775,378
Commissions and expense allowances on reinsurance assumed	118,741
General insurance expenses	223,388,806
Insurance taxes, licenses and fees	5,465,955
Net transfers to/(from) Separate Accounts	(1,613,692,673)
Aggregate write ins for deductions	(349,841,645)
Total	$ 1,512,290,772
Net gain from operations before dividends to policyholders and federal income taxes	244,593,912
Dividends to policyholders	-
Net gain from operations after dividends to policyholders and before federal income taxes	244,593,912
Federal and foreign income taxes incurred	(21,278,943)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains/(losses)	265,872,855
Net realized capital gains/(losses)	4,540,228
Net Income	$ 270,413,083

Separate Accounts
Statement of Assets and Liabilities
As of December 31, 2019

	General Account Basis	Fair Value Basis	Total	Note
Bonds	$ 349,505,656	$ 6,522,934,190	$ 6,872,439,846	
Stocks				
Preferred stocks	1,000,000	3,840,065	4,840,065	
Common stocks	-	12,172,759,905	12,172,759,905	
Mortgage loans on real estate	1,053,898	535,808	1,589,706	
Cash and cash equivalents	1,958,217	343,073,962	345,032,179	
Short-term investments	-	251,531,535	251,531,535	
Derivatives	-	1,056,123	1,056,123	
Other invested assets	480,293	235,238,549	235,718,842	
Subtotals - Cash and Invested Assets	$ 353,998,064	$ 19,530,970,137	$ 19,884,968,201	
Investment income due and accrued	3,831,981	37,447,402	41,279,383	
Receivables for securities	-	905,782,569	905,782,569	
Aggregate write-ins for other than invested assets	-	277,410	277,410	
Total Assets	$ 357,830,045	$ 20,474,477,518	$ 20,832,307,563	

	General Account Basis	Fair Value Basis	Total	Note
Aggregate reserves for life, annuity and accident and health contracts	$ 269,928,253	$ 18,557,240,052	$ 18,827,168,305	
Liability for deposit type contracts	-	288,617,428	288,617,428	
Interest Maintenance Reserve	(22,457,858)	-	(22,457,858)	
Other transfers to General Account	110,359,587	122,649,156	233,008,743	
Payable for securities	63	1,360,928,181	1,360,928,244	
Aggregate write ins for liabilities	-	145,041,419	145,041,419	
Total Liabilities	$ 357,830,045	$ 20,474,476,236	$ 20,832,306,281	
Unassigned funds	-	1,282	1,282	
Total	$ 357,830,045	$ 20,474,477,518	$ 20,832,307,563	

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2016 to December 31, 2019

		Common Capital Stock	Paid In & Contributed Surplus	Unassigned Funds (Surplus)	Surplus Notes	Total
December 31, 2015		$ 6,437,000	$ 653,698,314	$ 410,756,476	$565,000,000	$1,635,891,790
Operations 2016	(1, 2, 3)	-	-	5,538	-	5,538
Operations 2017	(1, 4, 5)	-	-	(172,507,365)	-	(172,507,365)
Operations 2018	(1, 6)	-	-	91,894,641	-	91,894,641
Operations 2019	(1, 7)	-	-	(88,713,241)	-	(88,713,241)
Paid-in Surplus	(8, 9)	-	116,741,179	-	-	116,741,179
December 31, 2019		$ 6,437,000	$ 770,439,493	$ 241,436,049	$565,000,000	$1,583,312,542

(1) Operations is defined as: net income, change in unrealized capital gain/(losses), change in net unrealized foreign exchange, change in net deferred income tax, change in non-admitted assets, change in liability for reinsurance, change in asset valuation reserve, change in surplus in separate accounts, dividends to stockholders and aggregate write-ins.

(2) On March 4, 2016, the Company notified the Department of its intent to pay a $200 million dividend, of which $169.5 million was considered ordinary and $30.5 was considered extraordinary. The dividends were paid in cash to DLH on March 28, 2016.

(3) On August 8, 2016, the Company notified the Department of its intent to pay a $100 million extraordinary dividend. The dividend was paid in cash to DLH on September 7, 2016.

(4) On March 2, 2017, the Company notified the Department of its intent to pay a $297 million extraordinary dividend. However, the Department subsequently approved the payment of an ordinary dividend in the amount of $135.4 million instead. The dividend was paid in cash to DLH on April 3, 2017.

(5) On October 5, 2017, the Company notified the Department of its intent to pay a $100 million ordinary dividend. The dividend was paid in cash to GOTO (formerly known as DLH) on October 11, 2017.

(6) On April 3, 2018, the Company notified the Department of its intent to pay a $157.4 million ordinary dividend. The dividend was paid in cash to GOTO on April 4, 2018.

(7) On April 5, 2019, the Company notified the Department of its intent to pay a $200 million ordinary dividend. The dividend was paid in cash to GOTO on April 5, 2019.

(8) On October 11, 2019, the Company received a contribution from GOTO in the form of another invested asset, which was nonadmitted at December 31, 2019. GOTO transferred its existing ownership interest in DK Investment Holdings, LP to DLIC. The value of this investment at the time of the transfer was $16,741,179.

(9) On December 23, 2019, the Company requested approval to record, as an admitted asset, a capital contribution by GOTO to the Company in an amount up to $150 million in the Company's statutory financial statements as of and for the year ended December 31, 2019. Subsequently, on January 7, 2020, the Department approved the Company's request to treat this contribution as a Type I subsequent event, consistent with the accounting standards contained in SSAP No. 9 – *Subsequent Events*, and SSAP No. 72 – *Surplus and Quasi-Reorganizations* (Paragraph 8). On February 28, 2020, the Company received $100.0 million in cash from GOTO as a capital contribution that was approved by the Department and recorded at December 31, 2019 with a corresponding receivable.

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 reserves for life contracts	**$13,486,913,374**
Aggregate reserves for accident and health contracts	**$679,052**
Liability for deposit-type contracts	**$671,845,216**
Contract claims:	
Life	**$33,805,754**
Accident and health	**$131,452**

In order for the examination team to gain an adequate comfort level with the Company's reserve estimates for Aggregate reserves for life contracts, Aggregate reserves for accident and health (A&H) contracts, Liability for deposit-type contacts, and Contract claims: life and A&H, the Department retained the actuarial services of INS Consultants, Inc. (INS) to perform a risk-focused review of the Company's reserving and pricing activities. Certain risks within the reserving processes required Phase 5 substantive test work.

Based on the procedures performed and results obtained by INS, the examination team obtained sufficient evidence to support the conclusion that the Company's net reserves for the aforementioned balance sheet items are reasonably stated as of December 31, 2019.

SUBSEQUENT EVENTS

The following material subsequent events occurred, requiring disclosure in this examination report.

Dividend Payments

On April 24, 2020, the Company paid an ordinary cash dividend of $65,000,000 to GOTO. The Department approved the payment on April 24, 2020.

On April 26, 2021, the Company paid an ordinary dividend of $200,000,000 to GOTO. The Department approved the payment on April 26, 2021.

Capital Contributions

On December 23, 2019, the Company submitted a request for approval of receipt of a cash capital contribution from GOTO, as of December 31, 2019, in an amount up to $150 million in accordance with SSAP No. 72 – *Surplus and Quasi-Reorganizations*. On January 7, 2020, the Department approved the Company's request to treat this additional capital contribution from GOTO as a Type I subsequent event, pursuant to SSAP No. 9 – *Subsequent Events* and SSAP No. 72, paragraph 8. As of December 31, 2019, the Company recorded a $100 million capital contribution, along with a corresponding receivable. One February 28, 2020, the Company received the $100 million in cash from GOTO.

Surplus Note Redemption

On December 29, 2020, the Company submitted a request to the Department to redeem its Surplus Note E with an outstanding principal amount of $7,500,000. Surplus Note E was issued by the Company on December 15, 1995 to Sun Canada Financial Co., the Company's former upstream parent at the time of issuance. As of December 31, 2020, Surplus Note E was endorsed to GLAC, without recourse, by GOTO.

On December 30, 2020, the Department approved the Company's request to redeem Surplus Note E with a one-time principal payment of $7,500,000.

On December 31, 2020, the Company received a capital contribution from GOTO in the amount of $7,500,000, which in-turn was used to make a one-time payment of principal to GLAC, along with $25,424 in accrued interest due paid independently by the Company, to redeem Surplus Note E.

Demand Promissory Note

In January 2020, DLNY entered into a $50 million demand promissory note (the DLNY Note) with the Company. The DLNY Note superseded and effectively terminated the $35 million promissory note dated May 19, 2017 (the Old Note). DLNY's borrowings under the DLNY Note may be used for general corporate purposes. Borrowings bear interest at LIBOR + 115 basis points, with no commitment fees for any unused portion of the DLNY Note. No amounts were outstanding under the DLNY Note or the Old Note as of December 31, 2020 and 2019.

Revolving Loan

In November 2020, R.V.I. Guaranty Co., Ltd (RVI), an affiliate, entered into a $20 million revolving loan note (the RVI Note) with the Company. Borrowings bear interest at LIBOR + 150 basis points. Pursuant to the materiality standards of 18 *Del. C.* §5005(a)(2)a, the RVI Note is for an amount below the materiality threshold for filing a Form D notice with the Department. There were no amounts outstanding under the RVI Note as of December 31, 2020.

Intercompany Agreements

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

Amendment to the Tax Sharing Agreement

Effective October 14, 2020, the Tax Sharing Agreement dated December 15, 2014, was amended to include as parties certain corporations that had been newly acquired or formed or had otherwise become eligible to participate in the Tax Sharing Agreement under which the Company files and pays federal income taxes as the common parent of an affiliated tax group.

This amendment was approved by the Department on February 3, 2020 with an effective date of October 14, 2020.

Services and Resource Sharing Agreement

Effective January 1, 2020, a Services and Resource Sharing Agreement was entered into between the Company and LCC, LAIC, and LNIC, collectively known as the Lackawanna Insurance Group (LIG).

Pursuant to the agreement, at the request of the service recipients, the Company provides certain services, including but not limited to, contract management and administration, accounting and auditing, functional support, policyholder services and marketing and promotional services. Further, the agreement provides for the use, in the day-to-day operations of LIG, certain property, equipment and facilities of the Company. The cost of any services and facilities provided, as reasonably and equitably determined by the Company, shall be reimbursed by LIG.

This agreement was approved by the Department on December 16, 2019, with an effective date of January 1, 2020.

Paymaster Agreement

Effective January 1, 2019, the Company entered into a Paymaster Agreement between and among DLM, GOTO Resources and Clarendon. The agreement enables the Company, on behalf of Clarendon, to provide GOTO Resources, in its role as payroll employer of DLM's personnel, with certain amounts to be paid to DLM's personnel in connection with their activities as registered persons of Clarendon. The agreement allows GOTO Resources to accept such amounts in order to fulfill its responsibility for compensating DLM's personnel.

This agreement was approved by the Department on September 18, 2020, with an effective date of January 1, 2019.

Other - COVID-19

The spread of COVID-19 is worldwide, dislocating capital markets and affecting every industry. As of March 31, 2021, the Company has effectively responded to the pandemic by both protecting its employees and maintaining business continuity. The Company further believes that its strong capital and liquidity positions make it well-positioned to weather current market volatilities and business disruptions related to the pandemic. However, there is considerable uncertainty around both the severity and the duration of the COVID-19 outbreak, and for that reason the future financial and other impacts of the pandemic on the Company cannot reasonably be estimated at this time.

SUMMARY OF RECOMMENDATIONS

There were no examination report findings or recommendations as a result of the December 31, 2019 examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the Company's outside audit firm, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

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

James Call, CFE
Supervising Examiner
State of Delaware

I, Keith E. Misenheimer, 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 Authority No. 20.016.

Keith E. Misenheimer, CFE, ALMI, CFE, ARM