REPORT ON EXAMINATION

OF THE

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

AS OF

DECEMBER 31, 2013

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF EXAMINATION, made as of December 31, 2013 of the

ATHENE ANNUITY & LIFE ASSURANCECOMPANY

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

Attest By: ______________________

Date: May 18, 2015

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 18th day of May, 2015.

Insurance Commissioner of the State of Delaware

____

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT OF EXAMINATION

OF THE

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

AS OF

DECEMBER 31, 2013

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

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

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

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 18th day of May, 2015

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SALUTATION

April 28, 2015

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

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 14.015, dated January 29, 2014, an Association examination has been made of the affairs, financial condition and management of the

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

hereinafter referred to as "Company" or "AA-DE" incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The examination was conducted at the main administrative office of a Company, located at 400 Brookfield Parkway, Greenville, South Carolina 29607. The report of this examination is submitted herewith.

SCOPE OF EXAMINATION

We have performed our multi-state examination of Athene Annuity & Life Assurance Company. The last examination of the Company was conducted as of December 31, 2009, by the State of South Carolina, as the Company was a South Carolina domestic at the time. This examination covers the period since that date through December 31, 2013, and including any material transactions and/or events noted as occurring subsequent to December 31, 2013.

This examination was conducted in accordance with the 2014 *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (NAIC Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. The NAIC Handbook requires the examiners to perform an examination to evaluate the financial condition and identify prospective risks of the Company. In doing so, the examiners reviewed corporate governance, identified inherent risks of the Company, and evaluated the controls and procedures used to mitigate the identified risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and applicable annual statement instructions.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The Company's external auditor, PricewaterhouseCoopers LLP (PwC), made available for review, all work papers pertinent to its audit of the Company's financial statements for the year ended December 31, 2013. Certain work papers prepared by the external accounting firm were incorporated into the examiners' work papers if deemed appropriate and in accordance with the NAIC Handbook.

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

Fidelity Bond and Other Insurance
Pensions, Stock Ownership and Insurance Plans
NAIC Ratios
Legal Actions
All Asset & Liability items not mentioned

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings; however, there was one material adjustment to the Company's financial statements. Please refer to the "Schedule of Financial Adjustments" and "Notes to Financial Statements" sections of this report for the material financial adjustment. Please refer to the "Summary of Recommendations" section of this report for examination findings.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

A review was performed of appropriate balance sheet and forepart files to verify corrective action had been taken with regard to prior examination report comments and recommendations identified by the State of South Carolina.

Aggregate Reserves for Life Contracts

Prior Exam Recommendation: It was recommended that the Company take into consideration all reinsurance and coinsurance when accruing IBNR reserves to ensure correct reporting of reserves in accordance with S.C. Code Ann. §38-13-80(A) (1976, as amended). Note that comparable Delaware Insurance Law is 18 Del. C. §526(a).

Current Exam Finding: The Company has complied with this recommendation.

Contract Claims: Accident and Health

Prior Exam Recommendation: It was recommended that the Company develop and implement a permanent fix to correct the calculation of errors in PolySystems regarding interest allocation to Equity Indexed Annuity policies that have a GLWB rider attached.

Current Exam Finding: The Company has complied with this recommendation.

Reinsurance:

Prior Exam Recommendation: It was recommended that the Company report unauthorized reinsurers in accordance with NAIC Annual Statement Instructions and S.C. Code Ann. §38-13-80(A) (1976, as amended), verifying that all financial and non-financial data is reported accurately, completely, and appropriately. Note that comparable Delaware Insurance Law is 18 Del. C. §526(a).

Current Exam Finding: The Company has complied with this recommendation.

Prior Exam Recommendation: It was recommended that the Company implement an internal control procedure to include oversight by a person with the responsibility of administering the complete reinsurance process to ensure all agreements are complete, comply with both South Carolina laws and NAIC requirements, and are properly reported in the Company's annual statements in accordance with S.C. Code Ann. §38-13-80(A) (1976, as amended). Note that comparable Delaware Insurance Law is 18 Del. C. §526(a).

Current Exam Finding: The Company has complied with this recommendation.

Prior Exam Recommendation: It was again recommended that the Company properly execute, by signing and obtaining assuming company signatures, all reinsurance treaties in accordance with S.C. Insurance Regulation 69-48, Section IV. Note that comparable Delaware Insurance Law is 18 Del. Admin Code §1001 (5.1)

Current Exam Finding: The Company has complied with this recommendation.

SUBSEQUENT EVENTS

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

Common Capital Stock and Paid-in Surplus

As of November 20, 2014, subsequent to the period under examination, the Company received the following capital contributions:

1Q2014	$	38,600,000 [1]
2Q2014	$	-
3Q2014	$	-

(1) On January 21, 2014, the Company received a capital contribution of $56,600,000 from its parent, Athene USA Corporation (AUSA), and made a capital contribution of $56,600,000 to its wholly-owned subsidiary Athene Life Insurance Company (ALIC). Netted against this item was an $18,000,000 reduction of paid in surplus related to a surplus note issued by Structured Annuity Reinsurance Company (STAR) to AUSA. On October 2, 2013, AUSA made a capital contribution of the outstanding stock of Athene Annuity and Life Company (AAIA) to the Company, and the Company recorded its investment in AAIA at total AAIA statutory surplus. However, the Company's recorded investment in AAIA's statutory capital and surplus included a surplus note of $170,000,000 from AAIA to Athene Holding, Ltd. (AHL). AAIA recorded its total investment at its subsidiary STAR's total capital and surplus which included a surplus note between STAR and AUSA of $18,000,000. Under SSAP 97, the Company had overstated its investment in subsidiary by $188,000,000. The State of Delaware allowed the Company to accrue a capital contribution from its parent for $170,000,000 (the amount of the AAIA to AHL surplus note) if the surplus note was contributed to AA-DE and converted to equity prior to the quarter one, 2014 statutory filing. The $170 million surplus note issued by AAIA to AHL was contributed down through the holding company structure as follows: AHL to AUSA, AUSA to AA-DE, and AA-DE to AAIA as paid in surplus. However, the surplus note issued by STAR to AUSA was not contributed down in a similar manner. As a result, the Company reclassified $18,000,000 between Paid in Surplus and Common Stocks on the balance sheet.

Intercompany Reinsurance Agreement

Subsequent to December 31, 2013, the Company amended the following intercompany reinsurance agreement:

Retrocession Agreement between Athene Annuity & Life Assurance Company and Structured Annuity Reinsurance Company

Effective April 1, 2014, the Company entered into a quota-share retrocession agreement with funds withheld with Structured Annuity Reinsurance Company (STAR), an affiliate. Under terms of the agreement STAR will retrocede to the Company on a funds withheld basis, a 20% quota share of the business STAR assumes from Athene Annuity and Life Company (formerly known as Aviva Life and Annuity Company) under terms of a reinsurance agreement effective October 1, 2013. Department approval for this transaction was received on July 16, 2014.

On April 21, 2015, A.M. Best upgraded the Company's rating to "A-".

COMPANY HISTORY

The Company was originally incorporated on November 3, 1905, and commenced business on January 1, 1906, to conduct life, accident and health and annuity insurance business in the State of South Carolina as Southeastern Life Insurance Company. The name Liberty Life Insurance Company (LLIC) was adopted in 1941.

Royal Bank of Canada (RBC) acquired 100% of the common stock of the LLIC on November 1, 2000 by purchasing 100% of the outstanding stock from The Liberty Corporation. The acquisition was made through RBC's wholly owned subsidiary, RBC Insurance Holdings (USA) Inc. (RBCIH), a Delaware insurance holding company organized for the purpose of the acquisition.

Business Men's Assurance Company of America (BMA) was incorporated on June 28, 1909 and commenced business on July 1, 1909. On April 29, 2002, Generali Finance B.V., then the direct parent of BMA, which was ultimately owned by Assicurazioni Gernali, S.p.A., an Italian insurance company, sold BMA to LLIC. Effective December 31, 2003, BMA was redomesticated to South Carolina.

On June 30, 2006 LLIC was merged with and into BMA, with BMA the surviving entity. Simultaneously, BMA was renamed Liberty Life Insurance Company.

On September 1, 2009, Liberty Capital Advisors, Inc. (LCA), an affiliate of the Company, was contributed to the Company by RBCIH in exchange for newly issued shares of LLIC. LCA then became a wholly owned subsidiary of LLIC, at which time LCA effected a liquidating distribution to LLIC. LCA was then dissolved. As a result of this contribution, LLIC recorded an $80,000 increase in common capital stock and a $194,000 increase in additional paid-in surplus.

On April 29, 2011, Athene Holding Ltd. (AHL), a Bermuda exempted holding company, acquired all of the outstanding shares of the Company from RBCIH for $624.8 million.

On July 18, 2011, AHL acquired all of the outstanding shares of Investors Insurance Company (IIC), a Delaware insurance company, from SCOR Global Life Americas Reinsurance Company, a Delaware insurance company, which is ultimately owned by SCOR SE (Paris), a stock company organized under the laws of the European Union, for approximately $56.8 million. The Company received a contribution from AHL for 100% of the common shares of IIC on September 30, 2011.

On September 30, 2011, the Company redomesticated from the State of South Carolina to the State of Delaware.

On November 3, 2011, the Company changed its name to Athene Annuity & Life Assurance Company (AA); however, this name change was not effective until February 1, 2012.

Prior to October 2, 2013, all outstanding shares of the Company were directly owned by AHL. On October 2, 2013, pursuant to a stock purchase agreement dated as of December 21, 2012 (as amended from time to time, the “SPA”) between Aviva plc, a public limited company organized under the laws of England and Wales (Aviva), and AHL, AHL acquired 100% of the issued and outstanding capital stock of Aviva USA Corporation, an Iowa corporation and certain of its subsidiaries. Subsequent to the transaction, Aviva USA Corporation's name was changed to Athene USA Corporation (AUSA). On October 2, 2013, immediately after AHL's acquisition of AUSA, AHL contributed 100% of the stock of the Company to AUSA and the Company thereby became a direct wholly owned subsidiary of AUSA.

On December 31, 2013, IIC was merged with and into the Company, with the Company the surviving entity. This transaction was accounted for as a statutory merger.

As of December 31, 2013, the Company was wholly owned by AUSA, which was wholly owned by AHL. AHL's common shares are comprised of the following:

(i) Class A common shares (the "Class A Shares"), which are owned by (A) any person acquiring an equity interest in AHL who is not a member of the group of entities consisting of Apollo Global Management, LLC, a Delaware limited liability company (AGM), its affiliates and/or funds managed by AGM or its affiliates (such group of entities, collectively, the "Apollo Group") and (B) certain members of AHL's management, and which, in the aggregate, account for 55% of the voting power of AHL's equity; provided, that the voting power of each individual holder of Class A Shares (collectively with its affiliates) is capped at 9.9% of the voting power of AHL's equity; provided, further, that under AHL's bylaws, any Class A shares that become controlled by the Apollo Group will automatically become non-voting shares; and

(ii) Class B common shares (the "Class B Shares"), which are controlled by the Apollo Group, and which, in the aggregate, account for 45% of the voting power of AHL's equity, and vote on a cumulative basis; and

(iii) Class M common shares (the "Class M Shares"), which are non-voting incentive compensation shares, convertible into Class A Shares upon the satisfaction of certain conditions, and which are owned by certain members of AHL's management.

AGM is a publicly traded company that is managed, operated and controlled by AGM Management, LLC, a Delaware limited liability company ("AGM Management") and BRH Holdings GP, Ltd., a Cayman Islands company (BRH). Each of AGM Management and BRH are wholly owned, managed and controlled, directly or indirectly by three individuals. The three individuals who control AGM and BRH are Leon Black, Chief Executive Officer and Chairman of the Board of Directors of AGM, Joshua Harris, Senior Managing Director and member of the Board of Directors of AGM, and Marc Rowan, Senior Managing Director and member of the Board of Directors of AGM (the "Controlling Individuals").

The Controlling Individuals, through their ownership of BRH, beneficially own the Class B shares of AGM, which has majority voting control over all matters requiring the approval of shareholders of AGM. As of December 31, 2013, the Class B shares of AGM represented 69.3% of the total voting power of all AGM shares entitled to vote. AGM and the Controlling individuals are considered the ultimate controlling persons of the Company within the insurance holding company system.

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

CAPITALIZATION

Common Capital Stock and Paid-in Surplus

The Certificate of Incorporation provides that the Company has 5,000 shares of common stock authorized, all of which are issued and outstanding, at $500 par value per share. The capital represented by the 5,000 shares of common stock issued and outstanding is $2,500,000.

As of December 31, 2013, all outstanding shares of the Company's common stock were owned by the Parent, Athene USA Corporation.

During the period under examination, the Company received the following contributions from the Parent:

Year		Contribution	
2010	$	-	
2011	$	54,064,262	1
2012	$	169,790,676	2
2013	$	671,166,558	3

(1) On July 18, 2011, AHL acquired all of the outstanding common shares of Investors Insurance Corporation ("IIC") a Delaware life insurance company, for approximately $56.8.million. The Company received a contribution from AHL of 100% of the common shares of IIC with effect as of September 30, 2011. The Company recorded an investment in IIC of approximately $42.0 million, which was equal to the statutory capital and surplus of IIC with an equal but offsetting amount recorded to gross paid in and contributed surplus. On March 5, 2010, Athene Life Insurance Company ("ALIC"), an Indiana life insurance company, was formed as a wholly-owned subsidiary of AHL. The Company received a contribution from AHL of 100% of the common shares of ALIC with effect as of November 1, 2011. The Company recorded an investment in ALIC of approximately $12.0 million, which was equal to the statutory capital and surplus of ALIC with an equal but offsetting amount recorded to gross paid in and contributed surplus.

(2) On December 28, 2012 (the effective date), the Company acquired a 100% interest in Presidential Life Corporation for approximately $414 million. The Company received a capital contribution of $169.8 million from its parent, AHL on the same day, in advance of the transaction.

(3) The Company's paid-in surplus increased significantly in 2013 from three separate transactions. In the first transaction, the Company received a deemed capital contribution of $6.7 million. The Company's parent agreed to sell a wholly-owned agency for less than fair market value if the agency reduced future trail commissions owed to the agency for the Company's products sold by the agency. As a result, the transaction to the Company was deemed a non-cash capital contribution from its parent. Next, the Company's parent Athene Holding Ltd. acquired Aviva USA Corporation (subsequently, the name was changed to Athene USA Corporation) and its insurance subsidiaries in October 2013. Subsequent to Athene Holding Ltd.'s acquisition of Aviva USA Corporation, Athene Holding contributed the Company to Aviva USA Corporation and then Aviva USA Corporation contributed its insurance subsidiary, Aviva Life and Annuity Company, to the Company as a non-cash capital contribution. The statutory capital and surplus of Aviva Life and Annuity Company at the time of contribution was $489.4 million. Finally, the Company recorded an accrued capital contribution from its parent, Athene USA Corporation, at year end for $175.0 million. This accrued capital contribution was settled in February 2014.

Dividends

No dividends were paid during the examination period under review.

Surplus Notes

As of December 31, 2013, the Company had no surplus notes.

Borrowed Money

As of December 31, 2013, the Company had no borrowed money.

CORPORATE RECORDS

The recorded minutes of the sole shareholder and Board of Directors ("Board") were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including the authorization of investments as required by 18 Del. C. §1304 "Authorization; record of investments".

A review of the Insurance Holding Company Annual Registration Statement filings (Form B and Form C) made by and on behalf of the Company for 2013 revealed that the Company had materially complied with 18 Del. C. §5004 and 18 Del. Admin. Code 1801.

MANAGEMENT AND CONTROL

Stockholder

Article II of the Company's amended bylaws states that annual meetings of the stockholders shall be held at such a place (within or without the State of Delaware), date and hour as shall be designated in the notice thereof, except that, to the extent permitted by applicable law, no annual meeting need be held if all actions, including the election of Directors, required by the General Corporation Laws of the State of Delaware required to be taken at a stockholders' annual meeting are taken by written consent in lieu of meeting pursuant to Section 9 of Article II. Rather than holding a meeting in place, the Board may determine that a meeting shall be held solely by means of remote communication. The annual meeting of the stockholders is for the election of Directors and for the transaction of such other business as may properly come before the meeting. Special meetings of stockholders for any purpose may be called by the Board, the Chairman of the Board, the President, or a stockholder or stockholders of record holding at least ten percent (10%) of all shares of the Corporation entitled to vote at the meeting. Stockholders holding a majority in voting power of the shares of the Corporation issued, outstanding and entitled to be voted at the meeting shall be present in person or by proxy in order to constitute a quorum for the transaction of business. Except as provided in the Certificate of Incorporation, each holder of voting shares is entitled to one vote in person or by proxy for each share of the Corporation held. Shares of the Corporation belonging to the Corporation or another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes. Stockholders shall not have the right to cumulate their votes for the election of Directors. Except as otherwise provided by law or by the Certificate of Incorporation, any action required or permitted to be taken at any annual or special shareholder meeting may be taken without a meeting, without prior notice and without a vote if a consent in writing is signed by all of the shareholders entitled to vote.

Board of Directors

Article III of the Company’s amended and restated bylaws states that the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board shall exercise all powers of the Corporation and do such lawful acts not prohibited by law, the Certificate of Incorporation, Operating Guidelines or the bylaws. The Board shall be one (1) or more, and cumulative voting for Directors is prohibited pursuant to the bylaws. Directors need not be stockholders or citizens or residents of the United States of America. The Board shall be elected at the annual meeting of stockholders and each Director shall be elected to hold office until the next succeeding annual meeting and until his successor is elected and qualified or until his earlier death, resignation or removal.

At December 31, 2013, the members of the Board of Directors together with their principal business affiliations were as follows:

Name and Location	Principal Occupation
James Richard Belardi Manhattan Beach, California	Chief Executive Officer and Chief Investment Officer Athene Asset Management, L.P. and Athene Holding Ltd.
Guy Hudson Smith III Simpsonville, South Carolina	President Athene Annuity & Life Assurance Company
James Andrew Betts Raleigh, North Carolina	Self-employed Consultant Former Partner at Ernst & Young LLP
Joshua Max Black New York, New York	Associate, Financial Services Group Apollo Global Management
Grant Kvalheim Princeton, New Jersey	President Athene Holding Ltd.
Matthew Russell Michelini New York, New York	Principal Apollo Management Holdings, L.P.
Francis Patrick Sabatini Granby, Connecticut	President Sabatini Advisory Services, LLC Former Principal at Ernst & Young LLP
Imran Mohsin Siddiqui New York, New York	Senior Partner Apollo Global Management
Hope Schefler Taitz Armonk, New York	Self-employed Consultant

(1) The above individuals were reappointed to the Board of Directors of the Company effective May 30, 2014.

The minutes of the meetings of the shareholders and Board of Directors, which were held during the period of examination, were read and noted. Attendance at meetings, election of directors and officers, and approval of investment transactions were also noted.

Committees

Article IV of the amended and restated bylaws states that the Board of Directors, by resolution passed by a majority of the whole Board, may designate committees of the Board, each such committee consisting of two or more Directors. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. The Board shall have the power to change the members of any such committee at any time. All proceedings and actions taken by a committee shall be reported to the Board at the next regular Board meeting.

On July 8, 2011, the Board had designated an Audit Committee, consisting of four (4) members of the Board, three of which were deemed independent. As of December 31, 2013, the following Directors were members of the Audit Committee:

Name and Location	**Principal Occupation**
Guy Hudson Smith, III Simpsonville, South Carolina	President Athene Annuity & Life Assurance Company
James Andrew Betts Raleigh, North Carolina	Self-employed Consultant Former Partner at Ernst & Young LLP
Francis Patrick Sabatini Granby, Connecticut	President Sabatini Advisory Services, LLC Former Principal at Ernst & Young LLP
Hope Schefler Taitz (Chair) Armonk, New York	Self-employed Consultant

In addition to an Audit Committee, the Board had also designated a Compliance Committee and an Interest Rate Committee (now known as the Product/Capital Committee).

Officers

Article V of the amended and restated bylaws states that the company's executive officers shall consist of a President, who may or may not also be the Chief Executive Officer, a Treasurer and a Secretary, and such Vice Presidents, Assistant Secretaries, and Assistant Treasurers or other officers as may be elected by the Board of Directors. Any two or more offices may be held by the same person. Officers need not be stockholders of the Corporation or citizens or residents of the United States of America. Each officer shall hold office until the next annual meeting and until their successor is elected, their earlier death or their earlier resignation or removal. All officers and agents elected or appointed by the Board shall be subject to removal at any time by the Board with or without cause. The Chief Executive Officer, if one is appointed, shall be a member of the Board. The President shall be a member of the Board, and shall be the Chief Executive Officer of the Corporation if there is no other Chief Executive Officer. The salaries of the officers shall be fixed from time to time by the Board, except that the Board may delegate to any person or committee the power to fix the salaries or other compensation of the officers. No officer shall be prevented from receiving such salary by reason of the fact that they are also a Director of the Corporation.

At December 31, 2013, the Company's principal officers and their respective titles were as follows:

Name	Principal Occupation
James Richard Belardi	Chief Executive Officer
Guy Hudson Smith, III	President
David Christopher Attaway[1]	Senior Vice President, Treasurer and Chief Financial Officer
John Leonard Golden[2]	Secretary

Christopher James Grady	Executive Vice President, Head of Retail
Stephen Eric Cernich	Executive Vice President, Corporate Development
Matthew Stephen Easley[3]	Executive Vice President and Chief Actuary
Alison Denis Longley[4]	Senior Vice President and Chief Marketing Officer
Roderick Dhu Mims, Jr.	Senior Vice President, National Sales Manager
Stuart Shawn Smith[5]	Vice President and Appointed Actuary

(1) On March 6, 2014, Ms. Brenda Cushing, Executive Vice President, was appointed Chief Financial Officer and Treasurer of the Company. On September 4, 2014, Ms. Cushing was appointed Chief Financial Officer of AHL, and Mr. Attaway, Senior Vice President, was reappointed Chief Financial Officer and Treasurer of the Company.
(2) On March 6, 2014, Mr. Golden resigned as Secretary, and Mr. Richard Cohan, Executive Vice President, was appointed General Counsel and Secretary of the Company. On May 9, 2014, Mr. Cohan resigned as General Counsel and Secretary. On June 5, 2014, Mr. Erik Askelson, Senior Vice President, was appointed General Counsel and Secretary of the Company.
(3) On November 13, 2014, Mr. Easley resigned as Chief Actuary of AUSA.
(4) On April 30, 2014, Mr. Longley resigned as Senior Vice President and Chief Marketing Officer of the Company.
(5) On June 30, 2014, Mr. Smith resigned from the Company; however, Mr. Smith remains the appointed actuary through a contract for services with a Third Party Administrator.

In addition to the above officers, additional Vice Presidents, Assistant Vice Presidents and other assistant officers were also appointed.

Numerous changes in directors and officers occurred during the period under review. As required pursuant to 18 Del. C. §4919, proper notification was provided to the Insurance Department.

Conflicts of Interest

The Company maintains a formal written Code of Conduct and Business Ethics ("Code"), which sets out minimum standards of ethical conduct that applies to all employees, officers and directors. Incorporated into the Code is the conflict of interest policy. Each year, all officers, directors and employees are required to complete an annual training course on the Code, re-affirming their commitment to comply with the Code and reporting any Code breaches of which they are aware. The Compliance Department within Legal reviews and provides an annual report to the Audit Committee concerning the compliance with the Code, as required by the Company's Risk Management Policies.

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

A review of the conflicts of interest disclosure process was conducted. It was noted during this review that the five external directors of the Company had not completed the annual Code training/certification for 2013. Therefore,

It is recommended that the Company ensure all officers, directors and key employees perform an annual conflict of interest certification, and the Company maintain such records in accordance with 18 Del. C. §320(c), in support of "Part 1 – Common Interrogatories – Board of Directors," question 18 of the "General Interrogatories" of the Annual Statement.

Articles of Incorporation and bylaws

On September 30, 2011, the Company redomesticated from the State of South Carolina to the State of Delaware. The Company filed a Certificate of Conversion, and Articles of Incorporation on September 30, 2011, as part of the redomestication process.

On November 3, 2011, the Company filed an amendment to the Articles of Incorporation to change the name of the Company from Liberty Life Insurance Company to Athene Annuity & Life Assurance Company, effective February 1, 2012.

On December 7, 2012, the Company amended its Articles of Incorporation to change the number of authorized shares from 1,321,678 with a par value of $1 per share, to 5,000 shares with a par value of $500 per share.

On December 13, 2013, the Company filed a Certificate of Merger with the Delaware Secretary of State, for the merger of IIC with and into the Company, with the Company the surviving entity. The effective date of the merger was December 31, 2013. The Articles of

Incorporation of the Company in effect at the time of merger, remained the Articles of Incorporation of the merged entities.

Upon the acquisition of the Company by Athene Holding Ltd. on April 29, 2011, the bylaws were amended and restated.

On November 3, 2011, the Company changed its name to Athene Annuity & Life Assurance Company, effective February 1, 2012. The bylaws were amended and restated to reflect the name change. No amendments have been made to the bylaws since the Company's name change.

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined in 18 Del. C. §5001(5) "Insurance Holding Company System". The Company's Holding Company Registration Statements were timely filed with the Delaware Insurance Department for the years under examination for which the Company was a Delaware domestic. The immediate parent of the Company at December 31, 2013 was Athene USA Corporation. The Company had four direct subsidiaries as of December 31, 2013.

Organization Chart

The following abbreviated presentation of the holding company system reflects the identities and interrelationships between the Company, its Parent, affiliated insurers and other members of the holding company system as of December 31, 2013:

Company	Domicile	% own
[Ultimate controlling persons and intermediate holders] (1)		
Athene Holding Ltd. (1)	Bermuda	
Athene Life Re Ltd.	Bermuda	100%
Highland Re Ltd.	Bermuda	100%
Athene USA Corporation	Iowa	100%
Athene Annuity & Life Assurance Company	Delaware	100%
Athene Life Insurance Company	Delaware	100%

Presidential Life LLC	Delaware	100%
P.L. Assigned Services, Inc.	New York	100%
Aviva Life and Annuity Company [(2)] [(3)]	Iowa	100%
Structured Annuity Reinsurance Company	Iowa	100%
Aviva Re USA IV, Inc.	Vermont	100%
Athene Annuity & Life Assurance Company of New York	New York	100%
Aviva Life Assurance Company of New York [(4)]	New York	100%

(1) The authorized shares of Athene Holding Ltd. (AHL) consist of Class A shares, Class B shares, Class M-1 shares and Class M-2 shares. The Class A shares represent 55% of AHL's total outstanding vote in the aggregate, and as of December 31, 2013 shares of such class were owned by individuals who are employed by or are directors of AHL or Athene Asset Management, L.P. (AAM), the investment manager of AHL and its insurance company subsidiaries. No one holder of Class A shares (together with its affiliates) may control in excess of 9.9% of the total outstanding vote of AHL (and if such holder, together with its affiliates, would control in excess of 9.9% of AHL's outstanding vote, then such holder's vote is reduced to 9.9% and the vote reduced is then voted by the other holders in such class on a pro rata basis).

The Class B shares, which vote on a cumulative basis, represent 45% of AHL's total outstanding vote in the aggregate. The owners of the Class B shares are Apollo Global Management, LLC (AGM), AGM affiliates and investment funds whose general partner is owned, directly or indirectly, by AGM.

The Class M-1 shares and Class M-2 shares are nonvoting. These shares are owned by certain employees of AHL, its subsidiaries and/or AAM, and represent shares provided to management for incentive compensation purposes.

AGM is managed, operated and controlled by AGM Management, LLC, a Delaware limited liability company ("AGM Management"), and BRH Holdings GP, Ltd., a Cayman Islands company (BRH). Each of AGM Management and BRH are wholly-owned, managed and controlled, directly or indirectly by three individuals: Leon Black, Chief Executive Officer and Chairman of the Board of Directors of AGM, Joshua Harris, Senior Managing Director and member of the Board of Directors of AGM, and Marc Rowan, Senior Managing Director and member of the Board of Directors of AGM (the "Controlling Individuals").

The Controlling Individuals, through their ownership of BRH, beneficially own the Class B shares of AGM, which has majority voting control over all matters requiring the approval of shareholders of AGM. As of December 31, 2013, the Class B shares of AGM represented 69.3% of the total voting power of all AGM shares entitled to vote.

AGM and the Controlling Individuals are considered the ultimate controlling persons of AHL's insurance company subsidiaries within the insurance holding company system.

(2) Aviva Life and Annuity Company changed its name to Athene Annuity and Life Company effective March 3, 2014.
(3) Excludes certain non-insurance company subsidiaries.
(4) Aviva Life Assurance Company of New York changed its name to Athene Life Insurance Company of New York effective March 3, 2014.

INTERCOMPANY AGREEMENTS

The Company was party to several intercompany agreements, which were disclosed in the Form B filings with the Delaware Insurance Department.

The Company is party to agreements with affiliates, which were entered into during the period covered by this examination, and remain in effect as of December 31, 2013. These agreements are summarized as follows:

Investment Management Agreement

Effective April 29, 2011, and as amended December 16, 2011, the Company entered into an Investment Management Agreement with Athene Asset Management, LLC (AAM). Under the terms of the agreement, AAM will supervise and direct the investment and reinvestment of Athene's assets, including assets held in any reinsurance accounts maintained by the Company from time to time, in accordance with the Company's investment guidelines.

Athene Annuity will pay AAM a management fee for the services provided by it under the Agreement in accordance with the Investment Management Agreement. Such management fee will be calculated and paid on a monthly basis and will equal twenty one (21) basis points per annum multiplied by the month-end net asset values of the assets in the Trust Accounts during the relevant month, subject to adjustment. Additionally, pursuant to the Agreement, Athene will pay such fees of any sub-advisers appointed by AAM as may be determined by AAM with the prior verbal or written consent of Athene. Athene will also be responsible for certain costs, fees and expenses relating to AAM's management of the Account, including certain costs, fees and expenses relating to the trading and investment activity of the Account.

As per the Amendment to the Investment Management Agreement, AAM will commence providing certain investment management services to Athene with respect to Swaps and those assets held in Trust Accounts in connection with (i) an Annuity Coinsurance Agreement with Transamerica Life Insurance Company (TLIC) and (ii) a Funding Agreement Coinsurance Agreement with TLIC, both entered into effective December 8, 2011. In addition, AAM will liquidate all assets initially deposited into each Trust Account and invest the proceeds thereof in accordance with the investment guidelines provided in the applicable Swap. Following such liquidation, AAM will manage and make investment decisions with regard to the assets held in the Trust Accounts in accordance with substitution notices or mandatory substitution notices issued by UBS pursuant to the applicable Swap or by AAM on behalf of Athene to the extent AAM determines that any asset held in either Trust Account does not meet the conditions set forth in the applicable Swap.

Shared Services and Cost Sharing Agreement (Non-New York Companies)

Effective October 2, 2013, and as amended October 2, 2013, the Company entered into a Shared Services and Cost Sharing Agreement with Athene Holding Ltd. (AHL), Athene USA Corporation (AUSA), Athene Life Re Ltd. (ALRe), Athene Life Insurance Company (ALIC), Investors Insurance Corporation (IIC), Aviva Life and Annuity Company (now known as Athene Annuity and Life Company) (AAIA), Structured Annuity Reinsurance Company (STAR), Aviva Re USA IV, Inc. (AUSAIV), and Athene Asset Management LLC (AAM). The Agreement provides that each party to the Agreement will make available to the other parties certain personnel and/or resources in connection with the performance of certain services as described within the Shared Services Agreement. Any party may both provide and receive services under the Agreement with respect to different services, and any party may (directly or through its subsidiaries) provide services to one or more parties to the Agreement.

The services available from service providers includes, producer management, reinsurance and underwriting, human resources, transportation, legal, facilities management, tax, audit services, communications, printing and supplies, telecommunications, mail and delivery, information technology, executive/strategic and operations management, records, sales and market development, compliance, administration services, product management, actuarial and corporate valuation, financial services and accounting, accounts payable and treasury, mergers, acquisitions and divestitures, risk management, and shareholder activities.

Shared Services and Cost Sharing Agreement (New York Companies)

Effective October 2, 2013, and as amended October 2, 2013, the Company entered into a Shared Services and Cost Sharing Agreement with AHL, AUSA, ALRe, AAIA, AAM, Athene Annuity & Life Assurance Company of New York (AANY), and Aviva Life and Annuity Company of New York (now known as Athene Life Insurance Company of New York) (ALICNY). The Agreement provides that each of AANY and ALICNY (together, the "New York Companies") will make available to the other parties certain personnel and/or resources and each of AHL, AUSA, ALRe, Athene Annuity, AAIA and AAM will make available to the New York Companies certain personnel and/or resources in connection with the performance of certain services as described within the Shared Services Agreement. Any party may both provide and receive services under the Agreement with respect to different services, and any party providing services may do so directly or through its subsidiaries.

The services available from service providers includes, producer management, reinsurance and underwriting, human resources, transportation, legal, facilities management, tax, audit services, communications, printing and supplies, telecommunications, mail and delivery, information technology, executive/strategic and operations management, records, sales and market development, compliance, administration services, product management, actuarial and corporate valuation, financial services and accounting, accounts payable and treasury, mergers, acquisitions and divestitures, risk management, and shareholder activities.

Tax Allocation Agreement

Effective October 2, 2013, the Company entered into a Tax Allocation Agreement with IIC, AAIA, STAR, Aviva Re Iowa, Inc. (Aviva Re), Aviva Re Iowa II, Inc. (Aviva Re II), Aviva Re Iowa III, Inc. (Aviva Re III), Aviva Re USA II, Inc. (AUSAII), Aviva Re USA III, Inc.

(AUSAIII), Aviva Re USA IV, Inc. (AUSAIV), Aviva Re USA VI, Inc. (AUSAVI), ALICNY, and AANY. The Agreement provides that Athene Annuity will prepare and file a consolidated tax return on behalf of the Members of the Affiliated Group. The purpose of the Tax Allocation Agreement is to provide the rules that will govern the allocation and apportionment of tax liability between the Members and the Affiliated Group.

Athene Annuity will compute the separate tax liability of each Member for each tax period as if such Member had filed a separate federal income tax return, and each Member will pay to Athene Annuity such computed tax liability. If the consolidated taxable income of the Affiliated Group results in the Affiliated Group owing an alternative minimum tax liability, then such liability will be apportioned to the Member in accordance with the methodology set forth in the Agreement. To the extent that the computation of any Member's separate taxable income results in a loss for tax purposes, such Member will be entitled to a payment from Athene Annuity. The calculation of amounts due to and from Athene Annuity will be made by an officer of Athene Annuity or by a person designated by such officer within 30 days prior to the date on which each federal tax payment is due.

State income and franchise taxes paid on a combined, consolidated or similar basis will be apportioned in an equitable manner using a methodology similar to the methodology used for federal taxes.

Fee Agreement (Pledge Fee Letter)

Effective September 2, 2011, the Company entered into a Pledge Fee Letter with ALIC. Under terms of the letter, ALIC agrees that it will, for so long as the Pledge Documents are in effect, pay to the Company a pledge fee equal to $50,000 per year, payable in quarterly installments on the last business day of each calendar quarter and upon termination of the Pledge

Documents; provided however, that the quarterly installment of the Pledge Fee for the initial quarterly period and any quarterly period during which the Pledge Documents were in effect during such quarter. ALIC further agrees to reimburse the Company for any of its out-of-pocket expenses incurred in connection with the performance by the Company of its obligations under the Pledge Documents promptly upon the Company's request.

Net Worth Maintenance Agreement

Effective October 1, 2012, the Company entered into a Net Worth Maintenance Agreement with AHL. The Agreement provides that AHL has agreed that, at all times the Company is under AHL's control, the Company's "total adjusted capital" will be maintained at the amount necessary for the Company to maintain its "total adjusted capital" at a minimum of 200% of "Company Action Level RBC" and AHL and the Company desire to enter into this Agreement to provide support to the Company in order to allow it to meet its obligations.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2013, the Company was licensed in the District of Columbia, as well as 49 states. The Company is authorized as a stock insurer to transact the business of life, including annuities, variable annuities, variable life, credit life and health and credit 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 Greenville, SC. However, the Company is in the process of relocating their operations to West Des Moines, Iowa.

Plan of Operation

The geographical breakdown of direct written premiums as of December 31, 2013 was: Texas, $86,752,125 (9.07%); Florida, $69,719,422 (7.29%); South Carolina, $68,477,730 (7.16%); Michigan, $58,296,916 (6.09%); North Carolina, $50,482,735 (5.28%); and other jurisdictions, $623,109,523 (65.12%).

The Company sells fixed annuities through its retail distribution channels as well as acquires fixed annuity blocks of business through reinsurance transactions and mergers and acquisitions. Through its wholly-owned insurance subsidiary, Athene Life Insurance Company, the Company has exposure to the institutional funding agreement market.

The Company historically sold traditional life and accident and health insurance products, but ceded one hundred percent of this business to Protective Life Insurance Company ("Protective") and closed the traditional life and accident and health block to new retail sales in 2011.

Sales Distribution

Independent Marketing Organizations (IMOs) either directly ask the Company for a contract or they are recruited by one of the Company's External Relationship Managers (ERM). The ERMs' primary responsibility is to recruit IMOs, who then recruit agencies and agents in their network (their "downline") to market the Company's products to consumers. In order to be contracted, all parties, IMOs, downline agencies and agents are required to complete appointment forms for Athene Annuity. Both the IMO entity and the IMO's principal officer (the "PO") must complete appointment forms. The Company's Producer Services department then completes background checks on both the IMO and the PO to make sure they meet the Company's guidelines. The PO must sign the Company's Selling Agreement on behalf of the

IMO. If the PO is also going to personally solicit the Company's products, he/she must sign a Selling Agreement in his/her individual capacity as well. Once the IMO and PO have been approved for contracting, they are entered into the Company's administrative system, which allows them to have downline producers or agencies. Each downline must meet the same appointment guidelines established by the Company before they are approved for contracting.

In addition to the Company's typical contracting process, in rare instances they will enter into a different agreement with a marketing organization. Advisors Excel approached the Company in late 2011 with an idea for a new fixed index annuity product, which the Company ultimately decided had a strong consumer value and would complement their annuity product offerings at Athene Annuity. As part of the agreement to develop the product, the Company agreed to initially distribute the product exclusively through Advisors Excel's network of agents. The Company launched the product, called "Performance Elite," in April, 2013.

The Independent Marketing Organizations recruit agents to sell the Company's products and the Company also contracts individual independent agents who subsequently recruit agents to sell the Company's products. The ERMs work with IMOs and independent agents to train them on the Company's products and support their recruiting efforts. The Company also has Internal Wholesalers who partner with an External Wholesaler and provide sales support from their Sales Desk located in Wilmington, Delaware and West Des Moines, Iowa.

A.M. Best's Rating

Based on A.M. Best's current opinion of the Company's financial condition and operating performance, the Company was rated B++ (Good) for the year ending December 31, 2013.

GROWTH OF THE COMPANY

The following information was extracted from copies of the Company's filed Annual Statements, for each year indicated, and covers the period from the Company's last examination.

Year	Net Admitted Assets	Total Liabilities	Total Capital and Surplus	Annuity Considerations	Deposit-Type Funds	Net Income/ (Loss)
2013	$ 11,775,572,758	$ 10,725,510,003	$ 1,050,062,755	$ 200,136,807	$ 572,071,210	$ 49,459,225
2012	10,647,597,266	10,370,645,658	276,951,608	3,167,361,753	799,275,236	7,046,947
2011	7,482,665,477	7,340,093,895	142,571,582	2,154,631,160	635,936,609	(18,799,709)
2010	4,995,353,912	4,717,390,447	277,963,465	1,030,163,776	23,175,111	(546,548)

(1) Schedule does not include adjustments as a result of the prior or current examinations.
(2) The balances for 2012 were pulled from the 2013 Annual Statement Prior Year column, as the Company determined there were several accounting changes and corrections of errors.

From year-end 2010 to year-end 2013, net admitted assets have increased by $6.8 billion or 135.7% while total liabilities increased by $6 billion or 127.4%. The overall increase in both Net Admitted Assets and Total Liabilities is primarily due to the coinsurance transactions the Company entered into during 2011 with IIC, Transamerica Life Insurance Company (TLIC), Liberty Bankers, and others along with the 2012 coinsurance transaction with AANY. The increase in 2011 was partially offset by the ceding of all of the Company's life and health insurance to Protective Life Insurance Company (PLIC), as well as the common stock share redemption resulting from the acquisition of the Company by AHL. Deposit-type contracts increased from 2010-2012 due to the coinsurance transactions with AANY, IIC and TLIC, which included $600 million of funding agreements. During the fourth quarter of 2013, the Company made a principal payment on a funding agreement assumed from TLIC of approximately $200 million, which reduced the Company's deposit-contract reserves by a corresponding amount.

During the examination period, total capital and surplus increased $772 million or 277.8%. Capital stock and paid-in surplus declined during 2011 as a result of the common stock share redemption to the Company's former parent immediately prior to the sale of the Company and the reverse stock split that occurred during the end of 2011. However, capital and surplus increased from 2011-2013 as a result of capital contributions received from the Company's parent, a non-cash capital contribution from its parent of Aviva Life and Annuity Company, and an accrued capital contribution from its parent, Athene USA Corporation. Unassigned surplus increased throughout the years under examination as a result of ceding commissions being deferred, an increase in net income, an increase in net unrealized gains and losses, and an increase in Asset Valuation Reserve (AVR).

Premiums and annuity considerations have decreased by $830 million from $1,030,163,776 at December 31, 2010 to $200,136,807 as of December 31, 2013. Direct premiums declined by approximately $901.5 million from 2010 to 2011 as a result of the Company ceding 100% of its life and health business to PLIC, as well as a decline in sales after the announcement of the sale of the Company to AHL by RBC, offset by a significant increase in assumed business resulting in an overall increase in premiums from 2010 to 2011. From 2011 to 2012, premiums and annuity consideration increased due to a slight increase in direct sales and an increase in assumed business, offset by a full year of reinsurance of the life and accident and health blocks of business being fully ceded to PLIC during 2012. In 2013, the Company saw strong sales growth as compared to 2012. The Company introduced new retail products MaxRate/MaxRate EL and Benefit Fixed Indexed Annuity towards the end of 2011. The Company introduced the Performance Elite Fixed Indexed Annuity during 2013, which resulted in an increase of 188% in direct retail sales. While sales have increased in 2013, the significant decrease in premiums and annuities from 2012 to 2013 was primarily the result of the Company ceding 80% of its annuity exposure, and the retrocession of 89% of assumed business from AANY to AHL's Bermuda subsidiary, Athene Life Re Ltd (ALRe) through a modco agreement.

The Company's net income has increased by approximately $50 million from December 31, 2010 to December 31, 2013. Net Income consistently increased throughout the examination period, with the exception of a significant loss during 2011 which was related to the one-time impact of the reinsurance contracts and costs directly related to the sale of the Company. The increase in net income year over year was primarily driven by an increase in realized gains from the Company's investment portfolio, deferred gains on the reinsurance transactions from 2011 accreting into income, as well as the income tax benefit recognized in 2012, and significant growth during 2013.

LOSS EXPERIENCE

Reserves and contract claims as of December 31, 2013 and December 31, 2012 were as follows:

	Aggr. Reserves for Life Contracts	Aggr. Reserves for Accident and Health Contracts	Liability for Deposit Type Contracts	Contract Claims: Life	Contact Clams: Accident and Health
December 31, 2013	$ 8,852,831,182	$ -	$ 572,071,210	$ 46,373,073	$ 1,584,592
December 31, 2012	8,911,681,636	-	799,275,236	46,458,869	811,686
Increase (Decrease)	$ (58,850,454)	$ -	$ (227,204,026)	$ (85,796)	$ 772,906

The decrease in aggregate reserves for life contracts by $58.9 million was mainly due to increased surrender and annuity benefit payments. The decrease in the liability for deposit type contracts by $227.2 million primarily resulted from a principal payment on a funding agreement assumed from Transamerica Life Insurance Company of approximately $200.0 million, which reduced the Company's deposit-contract reserves by a corresponding amount, in the fourth quarter of 2013.

The liabilities for life and accident & health contract claims increased $687,110 or 1.4% to $47.9 million in 2013. The overall increase of claim reserves is generally a result of ongoing analysis of recent loss development trends and strengthening of reserves. Original estimates are increased or decreased as additional information becomes known regarding individual claims. No significant increase or decrease was noted for any particular line of business.

REINSURANCE

For 2013, the Company reported the following distribution of net premiums written:

Direct business	$ 961,412,927
Reinsurance assumed (from affiliates)	58,477,253
Reinsurance assumed (from non-affiliates)	27,972,438
Total direct and assumed	1,047,862,618
Reinsurance ceded (to affiliates)	659,648,845
Reinsurance ceded to (non-affiliates)	188,077,057
Net premiums written	$ 200,136,716

Program Overview

Athene Holding Ltd. (AHL) is focused on the fixed annuity market and tries to reinsure to third parties any life or health risks when it is efficient to do so. This approach to reinsurance is applicable to all AHL insurance entities, and is summarized below, split between annuity and life and health.

Annuity Reinsurance

The Company seeks to reinsure approximately 80% of its annuity exposure to AHL's Bermuda subsidiary, Athene Life Re Ltd (ALRe). The reinsurance is on a modified-coinsurance (modco) basis as ALRe is not licensed in the United States. The reinsurance can be a two-step process in which the cedent first reinsures to the Company, which will in turn be retroceded to ALRe. This is economic reinsurance where the profits follow the business. The pricing of the reinsurance is determined by the actuarial team in Bermuda following transfer pricing rules as at fair value. Ultimately, the reinsurance treaty, suggested pricing, and ceding commission is reviewed by the AUSA actuarial, legal, and finance teams in the United States and approved by the Company's Board of Directors.

Ongoing performance of the reinsurance is monitored through the monthly financial statement and cost of funds process. If unexpected deviations are noted, provisions of the treaty allow for modifications.

Life Reinsurance

AHL seeks to sell to a third party any life business acquired as part of an acquisition. Accordingly, upon the acquisition of the Company on April 29, 2011, the Company's life and accident and health business was ceded to Protective Life Insurance Company (Protective) via 100% coinsurance. Under this treaty, Protective assumed all responsibility for the life and accident and health insurance business including the management of any pre-existing reinsurance related to the life business. This treaty is accounted for on a block basis with Protective providing summary information quarterly as required for regulatory reporting.

In support of the above details, the Company had the following reinsurance programs and material agreements in effect as of December 31, 2013:

Assumed

On December 16, 2011, the Company assumed 28.3% of a deferred annuity block from Transamerica Life Insurance Company through a coinsurance agreement. Eighty percent of the business assumed is retroceded using a modco agreement to ALRe. On the same date, the Company also assumed two funding agreements from Transamerica Life Insurance Company through a coinsurance agreement. One-hundred percent of the business assumed by the Company is retroceded using a modco agreement to ALRe.

On November 1, 2012, the Company assumed 100% of a deferred annuity block from Liberty Bankers Life Insurance Company through a coinsurance agreement. Eighty percent of the business assumed by the Company is retroceded using a modco agreement to ALRe.

On November 15, 2012, the Company assumed 80% of newly issued deferred annuities from Eagle Life Insurance Company through a coinsurance agreement. Eighty percent of the business assumed by the Company is retroceded using a modco agreement to ALRe.

On December 28, 2012, the Company purchased Presidential Life Insurance Company (now known as Athene Annuity & Life Assurance Company of New York). Ninety percent of the deferred annuities and immediate annuities were coinsured to the Company. Eighty-nine percent of the business assumed by the Company is retroceded using a modco agreement to ALRe.

Ceded

As noted previously, AHL purchased the Company on April 29, 2011, from Royal Bank of Canada. Immediately after the sale, 75% of the deferred annuities were ceded using a modco agreement to ALRe. Additionally on April 29, 2011, the Company coinsured 100% of its life and accident and health business to Protective, excluding variable business. This included the existing reinsurance on any direct business, but excluded a certain assumed block of business. The administration (including pre-existing reinsurance) of the life and accident and health business is handled completely by Protective. Protective provides monthly reserve and claim accrual updates, quarterly reserve trends, and all blue book and annual exhibits on the business coinsured to them. There is a joint administrative relationship on the variable annuity and variable universal life (VUL) business where Protective is expected to perform certain functions on these blocks. Reinsurance administration on the VUL block is one of them.

As previously noted, on July 18, 2011, AHL acquired all of the outstanding shares of Investors Insurance Company (IIC) from SCOR Global Life Americas Reinsurance Company. On September 30, 2011, AHL contributed 100% of the capital stock of IIC to the Company. On October 1, 2011, the Company entered into an agreement to coinsure 95% of IIC's deferred annuity and payout block. Eighty percent of the business assumed by the Company was ceded using a modco agreement to ALRe. On December 31, 2013, IIC was merged with the Company.

Reinsurance Contract Review

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

ACCOUNTS AND RECORDS

Accounting System and Information

The accounts and records reviewed during the examination included an evaluation of the Company's operational and organizational controls. The areas evaluated included computer and accounting systems, organizational structure, and the information processing structure. The Company's computerized accounts and records are maintained at outsourced vendors in Greenville, SC; Suwanee, GA; Toronto, Canada; Princeton, NJ; Lincoln, NB; and Chicago, IL. The Company's non-computerized records are maintained in Lincoln, NB; Greenville, SC; Atlanta, GA; and El Segundo, CA. The Company utilizes Windows, Linux and IBM server X based operating systems to process data.

It was noted that there is a migration project in place to move IT operations that have not been outsourced and are located at the Company's offices in Greenville, SC to the corporate data center in Des Moines, IA. The migration is expected to be completed by the middle of 2015.

A high-level assessment of the internal control structure and process for the Company's accounting and computer systems was discussed with management and reviewed after completion of questionnaires developed by the NAIC and the Delaware Department of Insurance. The discussions and review did not reveal any material deficiencies in the Company's internal control structure.

An external accounting firm audits the statutory-basis financial statements of the Company annually. The Company's external accounting firm, PwC, reviewed the internal control structure in order to establish the necessary audit procedures required to express an opinion on the December 31, 2013 financial statements. No significant or qualifying material deficiencies were found to exist in the design or operation of the internal control structure. The Company's records are also subject to review by Athene's Internal Audit Department.

Independent Accountants

The Company's financial statements were audited each year by the external audit firm PwC of Atlanta, Georgia, with the exception of 2010, which were audited by Deloitte & Touche LLP of Atlanta, Georgia. The examiners reviewed the audited statutory financial statements for the years 2010, 2011, 2012 and 2013. For all years under review, the external audit firm issued an unqualified opinion per Statutory Guidance.

The examiners reviewed PwC's 2012 and 2013 work papers, and incorporated their work and findings as deemed pertinent to the current examination.

Actuarial Opinion

The Company's loss reserves and related actuarial items were reviewed by Stuart Smith, A.S.A., M.A.A.A., who issued a statement of actuarial opinion based on the financial information presented by the Company. The opinion stated that the reserves and related actuarial values carried on the balance sheet were fairly stated and met the requirements of the insurance laws of the State of Delaware.

STATUTORY DEPOSITS

The following statutory deposits were on file with the following states:

	Deposits For the Benefit of All Policyholders		All Other Special Deposits	
State	Book/Adjusted Carrying Value	Fair Value	Book/Adjusted Carrying Value	Fair Value
Arkansas			$104,939	$105,609
Delaware	$4,287,751	$4,632,626		
Florida			2,605,843	2,567,094
Georgia			161,187	158,316
Massachusetts			499,861	596,094
Missouri			678,940	666,847
New Mexico			244,972	278,138
North Carolina			1,456,618	1,458,510
Oregon			849,764	1,013,360
TOTAL DEPOSITS	$4,287,751	$4,632,626	$6,602,124	$6,843,968

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2013, as determined by this examination, along with supporting exhibits as detailed below:

General Account:

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

Separate Accounts:

- Assets
- Liabilities, Surplus and Other Funds

Schedule of Examination Adjustments

The narratives on the individual accounts, with the exception of the reserve related balances, are presented on an "exception basis" in the Notes to the Financial Statements section of this report.

General Accounts
Assets
As of December 31, 2013

	Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	$ 4,977,151,398	$	$ 4,977,151,398	
Stocks:				
Preferred stocks	13,500,000		13,500,000	
Common stocks	878,952,314	608,002	878,344,312	1
Mortgage loans on real estate				
First liens	68,550,803		68,550,803	
Other than first liens	673,304,782		673,304,782	
Real estate				
Properties held for sale	562,700		562,700	
Cash, cash equivalents and short-term investments	331,119,583		331,119,583	
Contract loans	1,378,409		1,378,409	
Derivatives	76,586,137		76,586,137	
Other invested assets	1,012,219,813		1,012,219,813	
Receivables for securities	70,118,668		70,118,668	
Aggregate write-ins for invested assets	-		-	
Investment income due and accrued	39,719,524		39,719,524	
Reinsurance:				
Amounts recoverable from reinsurers	61,664,029		61,664,029	
Funds held by or deposited with reinsured companies	2,770,568,211		2,770,568,211	
Other amounts receivable under reinsurance contracts	358,452,125		- 358,452,125	
Current federal and foreign income tax recoverable and interest thereon	16,430,785		16,430,785	
Net deferred tax asset	44,078,876		44,078,876	
Guaranty funds receivable or on deposit	1,108,325		1,108,325	
Electronic data processing equipment and software	1,599,857	1,599,857	-	
Furniture and equipment, including health care delivery assets	1,764,068	1,764,068	-	
Receivable from parent, subsidiairies and affiliates	176,075,526		176,075,526	
Health care and other amounts receivable	606,162	535,662	70,500	
Aggregate write-ins for other than invested assets	956,761	956,761	-	
Total assets excluding Separate Accounts	$ 11,576,468,856	$ 5,464,350	$ 11,571,004,506	
From Separate Accounts	16,568,252	-	16,568,252	
Total	$ 11,593,037,108	$ 5,464,350	$ 11,587,572,758	

Liabilities, Surplus and Other Funds
As of December 31, 2013

			Notes
Aggregate reserves for life contracts	$	8,852,831,182	2
Aggregate reserves for accident and health contracts		-	3
Liability for deposit type contracts		572,071,210	4
Contract claims:			
Life		46,373,073	5
Accident and health		1,584,592	6
Provisions for policyholders' dividends and coupons payable in following year - estimated amounts:			
Dividends apportioned for payment		53,313	
Contract liabilities not included elsewhere:			
Other amounts payable on reinsurance		615,440,946	
Interest maintenance reserve		54,760,612	
Commissions to agents due or accrued		2,287,735	
Commissions and expense allowances payable on reinsurance assumed		18,712,053	
General expenses due or accrued		11,469,721	
Transfers to Separate Accounts due or accrued		(168,214)	
Taxes, licenses and fees		5,621,157	
Unearned investment income		60,498	
Amounts withheld or retained by company as agent or trustee		729,499	
Remittances and items not allocated		9,060,087	
Miscellaneous liabilities:			
Asset valuation reserve		194,313,645	
Payable to parent, subsidiaires and affiliates		223,788,160	
Derivatives		15,045,612	
Payable for securities lending		71,370,750	
Aggregate write-ins for liabilities		13,536,120	
Total liabilities excluding Separate Accounts	$	10,708,941,751	
From Separate Accounts Statement		16,568,252	
Total Liabilities	$	10,725,510,003	
Common capital stock		2,500,000	
Gross paid-in and contributed surplus		707,021,495	
Unassigned funds		152,541,260	
Surplus	$	862,062,755	
Total Liabilities, Capital and Surplus	$	11,587,572,758	

Summary of Operations
As of December 31, 2013

Premiums and annuity considerations for life and accident and health contracts	$	200,136,807
Consideration for supplementary contracts with life contingencies		-
Net investment income		362,765,657
Amortization of Interest Maintenance Reserve		8,381,897
Commissions and expense allowances on reinsurance ceded		137,345,810
Reserve adjustments on reinsurance ceded		(751,560,779)
Miscellaneous income:		
Income from fees associated with investment management, administration and		917,456
contract guarantees from Separate Accounts		-0-
Aggregate write-ins for miscellaneous income		259,033,555
Totals	$	217,020,403
Death benefits	$	125,734
Annuity benefits		63,432,717
Disability benefits and benefits under accident and health contracts		-
Surrender benefits and withdrawals for life contracts		190,214,146
Interest and adjustments on contract or deposit-type contract funds		10,651,389
Payments on supplementary contracts with life contingencies		2,024,719
Increase in aggregate reserves for life and accident and health contracts		(63,202,336)
Totals	$	203,246,369
Commissions on premiums, annuity considerations and deposit-type contracts funds	$	77,026,801
Commissions and expense allowances on reinsurance assumed		13,948,397
General insurance expenses		47,295,062
Insurance taxes, licenses and fees, excluding federal income taxes		25,231,062
Increase in loading on deferred and uncollected premiums		-
Net transfers to or (from) Separate Accounts net of reinsurance		(2,100,465)
Aggregate write-ins for deductions		(919,571)
Totals	$	363,727,655
Net gain from operations before dividends to policyholders and federal income taxes	$	(146,707,252)
Dividend to policyholders		48,378
Net gain from operations after dividends to policyholders and before federal income taxes		(146,755,630)
Federal and foreign income taxes incurred		(44,421,534)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains (losses)		(102,334,096)
Net realized capital gains (losses)		151,793,321
Net Income	$	49,459,225

Capital and Surplus Account
As of December 31, 2013

Capital and surplus, December 31, prior year	$	276,951,608
Net income (Loss)		49,459,225
Change in net unrealized capital gains or (losses)		
less capital gains tax of $ (55,887,399)		164,093,874
Change in net unrealized foreign exchange capital gain (loss)		1,630,513
Change in net deferred income tax		21,826,543
Change in nonadmitted assets		52,615,055
Change in reserve on account of change in valuation basis		(4,632,305)
Change in asset valuation reserve		(95,016,496)
Surplus adjustment		
Paid in		671,166,558
Change in surplus as a result of reinsurance		(63,396,240)
Aggregate write-ins for gains and losses in surplus		(24,635,580)
Net change in capital and surplus for the year		773,111,147
Change as a result of December 31, 2013 examination		(188,000,000)
Capital and surplus, December 31, current year	$	862,062,755

Reconciliation of Capital and Surplus
From December 31, 2009 to December 31, 2013

Capital and Surplus, December 31, 2009	$ 274,963,306	
Net income	37,159,915	(546,548)
Additions:		
Change in net unrealized capital gains (losses) less capital gains tax of $ (55,887,399)	197,420,344	3,676,864
Change in net unrealized foreign exchange capital gain (loss)	1,951,450	
Change in non-admitted assets	181,296,627	13,714,965
Change in liability for reinsurance in unauthorized companies	24,344	24,344
period	-	
Other changes in surplus in Separate Accounts statement	-	
Cummulative effect of changes in accounting principles	-	
Surplus adjustment: Paid in	693,057,932	
Deductions:		
Change in net deferred income tax	(56,349,270)	(10,003,004)
Change in reserve on account of change in valuation basis	(11,663,725)	(3,164,000)
Change in asset valuation reserve	(169,333,882)	(12,374,031)
Change in surplus notes	(31,000,000)	
Capital changes: Paid in	(7,500,000)	
Surplus adjustment: Change in surplus as a result of reinsurance	(43,398,694)	(143,884)
Dividends to stockholders	-	
Aggregate write-ins for gains and losses in surplus	(16,565,592)	11,815,453
Change as a result of December 31, 2013 examination	(188,000,000)	

Separate Accounts
Assets
As of December 31, 2013

	General Account Basis	Fair Value Basis	Total	Notes
Stocks:				
Common stocks	$ -	$ 16,568,134	$ 16,568,134	
Total	$ -	$ 16,568,134	$ 16,568,134	

Liabilities and Surplus
As of December 31, 2013

	General Account Basis	Fair Value Basis	Total	Notes
Aggregate reserve for life, annuity and accident and health contracts	$ -	$ 16,413,157	$ 16,413,157	7
Other tranfers to general account due or accrued		154,977	154,977	
Total	$ -	$ 16,568,134	$ 16,568,134	

SCHEDULE OF EXAMINATION ADJUSTMENTS

Description	Per Examination	Per Company	Surplus Increase (Decrease)	Notes
Assets:				
Common stocks	$ 878,344,312	$ 1,066,344,312	$ (188,000,000)	1
Adjusted Admitted Assets	$ 878,344,312	$ 1,066,344,312	$ (188,000,000)	
Liabilities and Surplus:				
Gross paid-in and contributed surplus	$ 707,021,495	$ 895,021,495	$ (188,000,000)	1
Adjusted Liabilities and Surplus	$ 707,021,495	$ 895,021,495	$ (188,000,000)	

NOTES TO FINANCIAL STATEMENTS

Assets – General Account

(1) Common Stocks $878,344,312

The above-captioned amount is $188,000,000 less than reported by the Company on Page 2, Line 2.2 of the 2013 Annual Statement, as a result of non-admitting two surplus notes included as part of its investment in subsidiaries.

The surplus notes, one for $170,000,000 and one for $18,000,000, were issued by AAIA and STAR, respectively, to AHL. Since the surplus notes were held by AHL rather than the Company, the Company should have excluded the portion of the subsidiaries capital and surplus designated as held for the benefit of the surplus note holder, from the Company's recorded investment in the common stock of the subsidiary under Statements on Statutory Accounting Principles (SSAP) Number 97, *Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88*. To correct this issue, the Company obtained approval from the Delaware Insurance Department for AHL to contribute the $170,000,000 surplus note issued by AAIA to the Company, and for the Company to convert the investment in the contributed AAIA surplus note to equity of AAIA effective March 31, 2014. Additionally, AAIA reduced its investment in STAR by $18,000,000 and the Company reclassified $18,000,000 from Gross Paid In and Contributed Surplus to Change in Unrealized Gains and Losses in surplus. Therefore,

> **It is recommended that the Company ensure compliance with Statements on Statutory Accounting Principles (SSAP) Number 97, *Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88* and 18 Del C. 526(a), verifying that all financial data is reported accurately, completely, and appropriately.**

Liabilities – General Account

General

As of December 31, 2013, the Company's retained business included fixed and indexed deferred annuities, immediate annuities, supplementary contracts and a small block of variable universal life. Many of the annuities have a market value adjustment feature.

The Company generally groups its products based on the company from which it obtained the products. Its general product line is organized into the following two product segments:

1. Life: The products managed in this product segment consist of fixed and variable universal life, supplementary contracts and related supplemental benefits. The Company reinsures all but a small block of variable universal life to Protective Life Insurance Company. Of the $2,055.2 million of life insurance reserves, all but $3.6 million is ceded through reinsurance.
2. Annuity: The products managed in this product segment consist of fixed and indexed deferred and immediate annuities, funding agreements and supplementary contracts. Although some of the contracts are ceded through modified-coinsurance (modco) agreements to ALRe, most of the reserves for annuity business are retained by the Company.

Certificate of Reserve Valuation

As part of the annual certificate of reserve valuation procedure, the Consulting Actuary reviewed the December 31, 2013 General Account Exhibit 5 reserves, Exhibit 7 liabilities and the Separate Accounts Exhibit 3 Reserves. The reconciliation work performed during that procedure has been relied upon for the current examination. The Consulting Actuary does not recommend any changes to the actuarial amounts reported in the Annual Statement as of December 31, 2013.

Asset Adequacy Analysis

The Consulting Actuary reviewed the asset adequacy testing (AAT) analysis completed as part of the Actuarial Opinion Memorandum Regulation (AOMR) for 2013. Based on the Consulting Actuary's review of this analysis, the Consulting Actuary has accepted the Company's conclusion that additional actuarial reserves were adequate to pay future benefits under moderately adverse conditions as of December 31, 2013.

The AOMR indicates that the appointed actuary should address and include a description of specified items in the Actuarial Opinion Memorandum (AOM). In the Consulting Actuary's opinion, the Company has addressed most of such specified items, and, generally, the Company's valuation procedures comply with AOMR requirements.

Data Validity / Inclusion Testing

The examination team compared selected contracts to the database provided by the Company. No discrepancies were found during the review. The Consulting Actuary determined the data was generally accurate and complete for the purposes of its actuarial review.

Reserve Analysis

Reserves were reviewed for compliance with standard valuation laws, applicable National Association of Insurance Commissioners (NAIC) Actuarial Guidelines and Model Regulations. The reserves for sampled contracts were calculated by the Consulting Actuary in accordance with standard actuarial practice and the results generally appear to be reasonable. Reserve trend analyses were also performed and generally produced reasonable results.

Reinsurance

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

The financial examiners performed testing of reinsurance treaties for assumed and ceded business by selecting a materially significant sample of contracts as shown in Schedule S. No material exceptions were noted during this review.

Summary

The balance sheet items enumerated in the examination scope appear fairly stated and are calculated using valuation parameters which appear to be free of any material error that would affect reserve calculations. Based on the above discussion and analysis, the Consulting Actuary has concluded that the December 31, 2013 balance sheet items covered in the examination scope of the actuarial portion of the examination appear fairly stated. The Consulting Actuary has also concluded that in aggregate, the stated reserves meet or exceed the minimum statutory reserve requirements of the State of Delaware. The actuarial amounts stated in the actuarial examination scope have been accepted, as stated, for examination purposes.

(2) Aggregate reserve for life contracts ($8,852,831,182)

The above-captioned amount, which is the same as that reported by the Company in its 2013 General Account (GA) Annual Statement, is reported on Page 3, Line 1 and in Exhibit 5. The reserve breakdown in Exhibit 5 by type of benefit is as follows (difference due to rounding):

Reserve Segment	Total Gross	Reinsurance Ceded	Total Net
Life Insurance	$ 2,055,222,350	$ 2,051,642,907	$ 3,579,443
Annuities	8,810,071,976	7,930,502	8,802,141,474
Supplementary Contracts	49,318,022	9,140,980	40,177,042
Accidental Death Benefits	4,463,121	4,463,109	12
Disability - Active Lives	3,071,645	3,069,181	2,464
Disability - Disabled Lives	19,592,356	19,591,607	749
Miscellaneous Reserves	11,360,307	4,430,307	6,930,000
Totals	$ 10,953,099,777	$ 2,100,268,593	$ 8,852,831,184

The aggregate reserve is held for fixed and variable universal life, fixed and indexed deferred annuities, immediate annuities and benefits ancillary to these policies. During the certificate of reserve valuation process, the Company's valuation files and work papers supporting the above amounts were reviewed and found to be in order. The Consulting Actuary's reconciliation work from that procedure has been relied upon for the current examination.

Sample contracts were selected from the valuation systems for reserve testing based on the residual risk assessments as determined by the Consulting Actuary. The Consulting Actuary reviewed the deferred annuity contracts which represented the majority of the reserves. Reserves for most products are systematically calculated and largely dependent on contract account values. Judgmental samples were selected.

Since the only significant retained reserves were the deferred annuities, they were the focus of the examination. The primary cash flow risks associated with deferred annuities are lapses, including surrenders due to disintermediation; asset default; longevity risk on contracts with guaranteed living withdrawal benefits; inadequate investment yields; reinvestment risk; and basis risk (which is the risk of index options paying out amounts mismatching the indexed annuity credit rates). These risks were further reviewed by evaluating the 2013 Actuarial

Opinion Memorandum (AOM). Based on that review, the Consulting Actuary accepted the Company's conclusion that no additional reserves were required as of December 31, 2013.

Based on procedures performed, the Consulting Actuary concluded that the aggregate reserve for life insurance policies and annuity contracts as reported by the Company on Page 3, Line 1 and in Exhibit 5 of the December 31, 2013 GA Annual Statement appears fairly stated. It has been accepted for examination purposes.

(3) <u>Reserve for accident and health contracts</u> <u>($0)</u>

The Company has a small amount of accident and health insurance. It reported gross reserves of $1.2 million of unearned premium reserves, $44.1 million of contract reserves, and $12.2 million of claim reserves. The total of accident and health reserves, before reinsurance is approximately 5.5% of capital and surplus. Any error in the reserves is likely to be immaterial, furthermore, the reserves are 100% reinsured to Hannover Life Reassurance Company of America, Jackson National Life Insurance Company, Protective Life Insurance Company, Union Central Life Insurance Company and Lifeshield National Insurance Company. Only Lifeshield National is listed as an unauthorized reinsurer located in Oklahoma. No reserve credit was indicated for business ceded to Lifeshield. The Consulting Actuary's opining actuarial examiner was the lead actuary on the most recent examination of Lifeshield. Based on his familiarity and comfort with Lifeshield, no additional review was conducted on the condition of the unauthorized reinsurer. Based on the ceding of 100% of the reserves, the small risk is minimized.

Based on the immateriality of the likelihood of a misstatement of reserves and the complete reinsurance of the block of business, the net accident and health reserve of $0 is considered reasonable. It has been accepted for examination purposes.

(4) Liability for deposit-type contracts ($572,071,210)

The above-captioned amount, which is the same as that reported by the Company in its 2013 GA Annual Statement, is reported on Page 3, Line 3 and in Exhibit 7, line 14. The net liability breakdown in Exhibit 7, by type of benefit, is as follows:

Liability Item	Net
Guaranteed Interest Contracts	$400,385,454
Annuities Certain	84,597,477
Supplemental Contracts	57,570,452
Premium and Other Deposit Funds	29,517,827
Totals	$572,071,210

This liability represents contracts in payout status which do not involve life contingencies. Files supplied by the Company and supporting work papers were reviewed and found to be in order. During the examination, the Consulting Actuary performed a trend analysis of these deposit-type reserves and found the trends to be reasonable.

The Annuities Certain and Supplemental Contracts-Other items provide for the payment of contractual amounts at specified intervals until the end of the guaranteed period. The contractual amounts, specified intervals and guaranteed periods are determined at issue of the contracts. These contracts are similar to immediate annuities (which are reported in the annuities segment of Exhibit 5) and all payout annuities were included in the same valuation files as supplied by the Company. As a result, Annuities Certain and Supplemental Contracts were included in the same reserve testing procedures for all payout annuities.

Based on procedures performed, the Consulting Actuary concluded that the liability for deposit type contracts as reported by the Company on Page 3, Line 3 and in Exhibit 7 of the December 31, 2013 GA Annual Statement appears fairly stated. It has been accepted for examination purposes.

(5) Contract claims: Life ($46,373,073)
(6) Contract claims: Accident and health ($1,584,592)

The above-captioned amounts, which are the same as that reported by the Company in its 2013 GA Annual Statement, are reported on Page 3, Lines 4.1 and 4.2 and in Exhibit 8, Part 1.

The breakdown by liability type is as follows (difference due to rounding):

Liability Type	Total Gross	Reinsurance Ceded	Total Net
Due and unpaid	$ 2,585,262	$ (12,443,472)	$ 15,028,734
In course of settlement (ICOS)	52,088,047	22,821,218	29,266,829
Incurred but unreported (IBNR)	21,653,816	17,991,715	3,662,101
Totals	$76,327,125	$ 28,369,461	$ 47,957,664

During the examination, the Company's work papers supporting the due and unpaid and ICOS liabilities were reviewed and found to be in order. ICOS amount represented approximately 47.5 days of incurred claims. This indicates the Company takes about 47 days to settle a typical claim after notification, which is reasonable. The Consulting Actuary relied on the examiners' findings for the due and unpaid and ICOS liabilities. No exceptions were noted.

The following table shows components of the IBNR item:

IBNR by Product Segment	Direct	Assumed	Reinsurance Ceded	Total Net
Life Insurance	$ 9,278,338	$1,706,750	$ 10,963,583	$ 21,505
Annuities and Supplemental Contracts	104,226	3,536,375	5	3,640,596
A&H Insurance	7,028,127	-	7,028,127	-
Totals	$16,410,691	$5,243,125	$ 17,991,715	$3,662,101

An analysis by the Consulting Actuary of the amount of the life IBNR liability in relation to the claims incurred in 2013 and the net amount at risk in effect at December 31, 2013 supports the sufficiency of the IBNR liability. The direct IBNR amount represents approximately 21 days of incurred claims. This indicates an average of 21 days between a loss and it being reported to the Company, which is reasonable. The direct, assumed, ceded and net amounts were considered for life, annuity and supplemental contracts and for accident and health. The Consulting Actuary concluded that the IBNR liability was sufficient, based on these analyses. The Consulting Actuary performed a trend analysis of the IBNR liability and found the trends to be reasonable.

The Company also holds an IBNR liability for the deferred annuities of approximately $3.6 million. Such liability should be established to the extent that a positive net amount of risk (death benefit minus reserve) exists. Many of the deferred annuity reserves have reached durations whereby the surrender charge period has expired. The Consulting Actuary concluded that the IBNR for deferred annuities would be immaterial due to the fact that the there is little positive net amount of risks associated with most contracts. The Consulting Actuary concluded that the IBNR liability for deferred annuities was reasonable.

The IBNR liability has few complicated reserving issues and the liability amounts appear to be based on reasonable methodologies.

Based on procedures performed, the Consulting Actuary concluded that the Contract claims: Life and Accident and Health liabilities as reported by the Company on Page 3, Lines 4.1 and 4.2 and in Exhibit 8, Part 1 of the December 31, 2013 GA Annual Statement appears fairly stated. They have been accepted for examination purposes.

Liabilities – Separate Account

(7) Aggregate reserve for life, annuity and accident and health contracts ($16,413,157)

The above-captioned amount, which is the same as that reported by the Company in its 2013 Separate Account (SA) Annual Statement, is reported on Page 3, Lines 1 and in Exhibit 3. The reserve breakdown in Exhibit 3 by type of benefit is as follows:

Reserve Segment	Gross and Net
Life insurance	$ 12,875,603
Annuities	3,537,554
Total	$ 16,413,157

Reserves for life and annuity contracts in the SA statement represent contract owner funds held in various investments such as mutual funds, which are made available to the contract owners. Reserves are generally calculated based on Commissioner's Reserve Valuation Method (CRVM) for life contracts and Commissioner's Annuity Reserve Valuation Method (CARVM) for annuity contracts. The actual reserve held is the greater of the CRVM or CARVM reserve and the cash value.

During the certificate of reserve valuation process, the Company's valuation files and work papers supporting the above amounts were reviewed and found to be in order. The Consulting Actuary's reconciliation work from that procedure has been relied upon for the current examination.

For the small amount of variable annuities, the company had performed stochastic modeling in the past, but the standard scenario dominated the reserves. As a result, the Company performs the standard scenario test each year to determine the reserves for the variable annuities under Actuarial Guideline 43 ("AG 43"). Since the variable annuities were immaterial and the product mix of variable annuities is stable, it would not be justified from an expense perspective for the Company to produce a complete stochastic model study each year under AG 43. By periodically conducting stochastic tests every few years or when there is a significant change in the market conditions, the Company confirms the standard scenario continues to be the reserve for the variable annuities under AG 43.

The allocation of the reserve between the GA and the SA appears reasonable.

Cash flow risks associated with the Exhibit 3 business are that contractual fees such as mortality and expense charges may be inadequate and/or that surrender charges may not be sufficient to permit recovery of the CRVM/CARVM expense allowance. Except for the risks inherent in the Variable Annuity Guaranteed Living Benefit (VAGLB) provisions, the investment risk is borne by the contract owners. The ability of reserves to cover such risks was evaluated by asset adequacy testing analysis and the AG 43 analysis. Therefore, an important examination focus was the review of the 2013 AOM. Based on the Consulting Actuary's review, the Company's conclusion that additional actuarial reserves are not required for SA-L1 items was accepted.

Based on procedures performed, the Consulting Actuary concluded that the Aggregate reserves for life, annuity and accident and health as reported by the Company on Page 3, Line 1 of the December 31, 2013 SA Annual Statement appears fairly stated. It has been accepted for examination purposes.

SUMMARY OF RECOMMENDATIONS

1. It is recommended that the Company ensure all officers, directors and key employees perform an annual conflict of interest certification, and the Company maintain such records in accordance with 18 Del. C. §320(c), in support of "Part 1 – Common Interrogatories – Board of Directors," question 18 of the "General Interrogatories" of the Annual Statement. (Management and Control – Conflicts of Interest, page 17)

2. It is recommended that the Company ensure compliance with Statements on Statutory Accounting Principles (SSAP) Number 97, *Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88* and 18 Del C. 526(a), verifying that all financial data is reported accurately, completely, and appropriately. (Notes to Financial Statements – Assets - General Account - Common Stocks, page 44)

CONCLUSION

The following schedule shows a comparison of the results from the December 31, 2013 examination to the December 31, 2009 Annual Statement, with changes between:

Description	December 31, 2009	December 31, 2013	Increase (Decrease)
Assets	$ 4,995,353,912	$ 11,587,572,758	$ 6,592,218,846
Liabilities	$ 4,717,390,447	$ 10,725,510,003	$ 6,008,119,556
Common capital stock	10,000,000	2,500,000	(7,500,000)
Aggregate Write-in for other than special surplus funds	-	-	-
Surplus notes	31,000,000	-	(31,000,000)
Gross paid in and contributed surplus	201,963,564	707,021,495	505,057,931
Aggregate Write-in for special surplus funds	19,876,897	-	(19,876,897)
Unassigned funds (surplus)	15,123,004	152,541,260	137,418,256
Total Capital and Surplus	277,963,465	862,062,755	584,099,290
Total Liabilities, Capital and Surplus	$ 4,995,353,912	$ 11,587,572,758	$ 6,592,218,846

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

Respectfully submitted,

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