

ORGANIZATIONAL EXAMINATION

OF

DL REINSURANCE COMPANY

AS OF

DECEMBER 10, 2014

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 ORGANIZATIONAL EXAMINATION, made as of December 10, 2014 of the

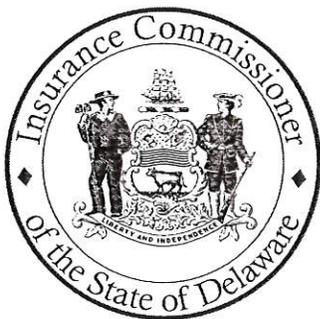
DL REINSURANCE COMPANY

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

Attest By:

Brandis Biddle

Date: February 25, 2015



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 25th day of December, 2014.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner



ORGANIZATIONAL EXAMINATION
OF THE
DL REINSURANCE COMPANY
AS OF
MAY 10, 2014

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

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

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

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 25th day of February, 2014

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SALUTATION

December 10, 2014

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

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 14.910 dated October 30, 2014, an Organizational Examination has been conducted of the

DL Reinsurance Company

hereinafter referred to as “DLRC” or the “Company”, incorporated under the laws of the State of Delaware as a stock life insurance company.

The Company’s registered agent is The Corporation Trust Company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801-1120. The Company’s administrative office is located at 96 Worcester Street, Wellesley Hills, Massachusetts 02481-3620.

This examination was conducted at the Company’s aforementioned administrative office location. The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Company's application for a domestic Certificate of Authority in the State of Delaware. The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of November 30, 2014, have been reviewed.

HISTORY

The Company was incorporated on October 23, 2014 under the laws of the State of Delaware. On November 21, 2014, the Company amended its Certificate of Incorporation to authorize the issuance of three thousand (3,000) common shares with no par value. The following common stock certificate is issued and outstanding to Delaware Life Insurance Company ("DLIC"), a Delaware-domiciled life insurance company, formerly known as Sun Life Assurance Company of Canada (U.S.):

<u>Certificate</u>	<u>Shares</u>	<u>Date</u>	<u>Capital</u>	<u>Surplus</u>	<u>Total</u>
2	<u>100</u>	11/24/2014	<u>\$300,000</u>	<u>\$150,000</u>	<u>\$450,000</u>
Total	<u>100</u>		<u>\$300,000</u>	<u>\$150,000</u>	<u>\$450,000</u>

MANAGEMENT AND CONTROL

Board of Directors

In accordance with its By-laws adopted October 23, 2014, the business and affairs of the Company shall be managed by a board of directors (the "Board of Directors" or the "Board") whose number shall be fixed by the Board or by the stockholders at the annual meeting. The adopted bylaws state that the Board of Directors shall consist of not less than three (3) members. Directors need not be shareholders of the Company. The directors are to be elected at the annual

meeting of the Company's stockholders and shall hold office until the his or her successor is elected and qualified. The following individuals were elected and qualified members of the Board of Directors as of the examination date:

Dennis A. Cullen
David E. Sams, Jr.
Daniel J. Towriss

Committees of the Board of Directors

The entire Board of the Directors constitutes the audit committee of the Board as of the examination date.

Officers

In accordance with its By-laws, the officers of the Company shall include a Chief Executive Officer, a President, a Secretary, and a Treasurer. The Board may appoint additional officers, such as a Chairman, one or more Vice Presidents and any such other officers as deemed necessary. The officers shall serve until their successors are chosen and qualified or until their removal or resignation. Any number of offices may be held by the same person. Principal officers elected and serving as of the examination date were as follows:

<u>Name</u>	<u>Title</u>
David E. Sams, Jr.	Chief Executive Officer
Daniel J. Towriss	President and Chief Risk Officer
Michael S. Bloom	Senior Vice President and General Counsel and Secretary
Keith A. Dall	Executive Vice President and Chief Actuary
Andrew F. Kenney	Chief Investment Officer
Michael K. Moran	Senior Vice President and Chief Accounting Officer and Treasurer
James D. Purvis	Chief Operating Officer

The Company completed the NAIC Form 11 - Biographical Affidavit for each of the directors and principal officers noted above.

The Company's directors and principal officers noted above have not completed a conflict of interest disclosure statement. However, upon licensure as a Delaware domestic insurance company, the Company's board of directors will adopt the parent company's Conflict of Interest Policy for Directors and Code of Conduct, which requires an annual compliance certification.

HOLDING COMPANY SYSTEM

At formation, the Company became a member of an insurance holding company system (the "Delaware Life Holding Group"). Delaware Code Annotated Title 18 § 5001(3) defines that the term "control" as the "possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person." There is presumption that control exists if "any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person." The presumption of control may be rebutted by a showing that control does not exist in fact. The following individuals and entities owned or controlled 10% or more of DLRC as of the examination date:

	<u>Economic Interest</u>	<u>Voting Control</u>
Mark R. Walter (ultimate controlling person)	17.0%	50.0%
Todd L. Boehly (ultimate controlling person)	17.0%	50.0%
Delaware Life Partners, LLC	66.0%	0.0%

The organizational structure as of the examination date with control percentages of the upstream entities' control of the downstream entity [and domicile in brackets] is presented below:

	<u>Economic Interest</u>	<u>Voting Control</u>
Mark R. Walter {1}, {2}, {6}		
DLICM, LLC [DE] {3}	100.0%	100.0%
Delaware Life Equity Investors, LLC [DE]	50.0%	50.0%
Delaware Life Holdings Parent II, LLC [DE] {5}, {7}	34.0%	100.0%
Delaware Life Holdings Parent, LLC [DE] {5}	100.0%	100.0%
Delaware Life Holdings, LLC [DE] {5}	100.0%	100.0%
Delaware Life Insurance Company [DE]	100.0%	100.0%
DL Reinsurance Company [DE]		

	<u>Economic Interest</u>	<u>Voting Control</u>	<u>Control</u>
Todd L. Boehly {1}, {2}, {6}			
DLICT, LLC [DE]	100.0%	100.0%	
Delaware Life Equity Investors, LLC [DE]	50.0%	50.0%	
Delaware Life Holdings Parent II, LLC [DE] {5}, {7}	34.0%	100.0%	
Delaware Life Holdings Parent, LLC [DE] {5}	100.0%	100.0%	
Delaware Life Holdings, LLC [DE] {5}	100.0%	100.0%	
Delaware Life Insurance Company [DE]	100.0%	100.0%	
DL Reinsurance Company [DE]			

	<u>Economic Interest</u>	<u>Voting Control</u>
Delaware Life Partners, LLC [DE] {2}, {4}		
Delaware Life Holdings Parent II, LLC [DE] {5}, {7}	66.0%	0.0%

- {1} Ultimate controlling person of the Company.
- {2} No disclaimer of affiliation has been filed with the Delaware Insurance Department (see {4}).
- {3} LAR Management, LLC is the Manager of this entity.
- {4} The Form A filing for DLIC on file with the Delaware Department of Insurance includes Delaware Life Holdings Group's explanation of why Delaware Life Partners, LLC economic, non-voting membership interests in Delaware Life Holdings Parent II, LLC, does not permit the company to exercise control over any members of the Delaware Life Holdings Group.

- {5} Delaware Life Holdings Manager, LLC is the Manager of this entity. Delaware Life Holdings Manager, LLC is 50% owned and controlled by Mark R. Walter and 50% owned and controlled by Todd L. Boehly.
- {6} Mark R. Walter is the current CEO of Guggenheim Partners, LLC, and Todd L. Boehly is the current President of Guggenheim Partners, LLC.
- {7} Delaware Life Equity Investors, LLC, as sole Class A Member of Delaware Life Holdings Parent II, LLC, owns 204.0 million of the Class A units, out of a total of 600.0 million Class A and Class B units, which equals the 34% economic ownership interest. Delaware Life Partners, LLC as a sole Class B Member of Delaware Life Holdings Parent II, LLC, owns 396.0 million Class B units, which equals the 66% economic ownership interest

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective October 23, 2014.

FIDELITY BOND AND OTHER INSURANCE COVERAGE

Using the Company's filed UCAA financial projections, the minimum recommended fidelity coverage will be \$1.25 million at year-end 2015. The Company is covered under the Delaware Life Holdings Group fidelity bond effective August 2, 2014, which has a \$10 million single loss limit, a \$20 million aggregate limit and a \$250 thousand deductible.

AGREEMENTS

The Company has no employees and does not intend to have employees. Instead, the Company's staffing needs and other administrative services will be provided by and paid by its parent, DLIC.

The Company filed a Form D with the Delaware Department of Insurance dated November 4, 2014, seeking approval for a proposed administrative services agreement between DLIC and the Company. DLIC will provide DLRC with reinsurance contract services and general administrative services, accounting, data processing, tax and auditing services and any

necessary functional support services. The reimbursement for such services will be incurred at cost plus a reasonable direct overhead charge.

The Company filed a Form D with the Delaware Department of Insurance dated November 4, 2014, seeking approval for a proposed U.S. federal tax sharing agreement among DLIC, affiliate Delaware Life Insurance Company of New York, affiliate Clarendon Insurance Agency, Inc. and the Company.

The Company filed a Form D with the Delaware Department of Insurance dated November 11, 2014, seeking approval for a proposed reinsurance agreement with DLIC.

The Company has not yet entered into a custodial agreement. Once the Company is capitalized with invested assets, management plans to enter into a custodial agreement with State Street Corporation (State Street) located in Boston, Massachusetts. The executed custodial agreement with State Street should contain the required wording as specified in the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*.

PLAN OF OPERATION

The Company is being formed to act as the reinsurer for DLIC's variable annuity products. There are no other contemplated business operations of the Company. Management intends to maintain the Company's total adjusted capital at or above 600% of authorized control level RBC. After licensure, but prior to entering into any affiliated reinsurance agreements, DLIC intends to capitalize the Company with an additional \$29,550,000.

As of October 17, 2013, DLIC was rated "A-" (Excellent) by A.M. Best.

REINSURANCE

As of the examination date, the Company has not executed any reinsurance agreements. As noted earlier in this report, the Company filed a Form D with the Delaware Department of Insurance requesting approval for a proposed reinsurance agreement with DLIC. The proposed reinsurance agreement, whereby the Company assumes business from DLIC, will be on a co-insurance with funds withheld and/or modified co-insurance basis, and will contain an experience refund provision that will serve to mitigate potential losses to the Company. DLIC will use deposit-type accounting as prescribed by SSAP 61R with respect to the proposed reinsurance agreement with the Company.

CAPITAL AND SURPLUS REQUIREMENTS

18 Del. C. §511(a) requires the following minimum capital and surplus amounts for a stock insurance company authorized to write life insurance and annuities only:

Common Capital Stock	\$300,000
Gross Paid-in and Contributed Surplus	<u>150,000</u>
Capital and Surplus as Regards Policyholders	<u>\$450,000</u>

The Company's authorized common capital stock has no par value. However, the Board passed a resolution allocating the \$450,000 of consideration for the 100 shares of common stock issued to DLIC as follows: \$300,000 as the "stated value" of such shares, and \$150,000 as paid-in surplus. Consequently, the Company has complied with the minimum capital and surplus requirements for licensure.

FINANCIAL DATA

The financial position of the Company as of the examination date, as determined by this organizational examination, was as follows:

<u>Assets</u>		<u>Note</u>
Cash, Cash Equivalents and Short-term Investments	\$450,000	1
Total Admitted Assets	<u>\$450,000</u>	
 <u>Liabilities, Capital and Surplus</u> 		
Total Liabilities	\$ <u>0</u>	
Common Capital Stock	\$300,000	
Gross Paid In and Contributed Surplus	150,000	
Unassigned Funds	<u>0</u>	
Capital and Surplus as Regards Policyholders	<u>\$450,000</u>	
Total Liabilities, Capital and Surplus	<u>\$450,000</u>	

