REPORT ON EXAMINATION

OF THE

DELAWARE AMERICAN LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 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 REPORT OF EXAMINATION, made as of December 31, 2014 of the

DELAWARE AMERICAN LIFE INSURANCE COMPANY

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

Attest By: ______________________

Date: May 10, 2016

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 10th day of May, 2016.

____

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

DELAWARE AMERICAN LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 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.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 10th day of May, 2016

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SALUTATION

March 9, 2016

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

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 15.019, dated February 3, 2015, an Association examination has been made of the affairs, financial condition and management of the

DELAWARE AMERICAN LIFE INSURANCE COMPANY

hereinafter referred to as "Company" or "DELAM" incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1209 Orange Street, Wilmington, Delaware 19801. The examination was conducted at the main administrative office of the Company, located at 18210 Crane Nest Drive, Tampa, Florida 33647. The report of this examination is submitted herewith.

SCOPE OF EXAMINATION

We have performed our multi-state examination of Delaware American Life Insurance Company. The last examination covered the period of January 1, 2012 through December 31, 2012. This examination covers the period of January 1, 2013 through December 31, 2014.

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

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

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

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adjustments to the Company's financial statements. Please refer to the summary of recommendations section of this report for examination findings.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

Intercompany Agreements

Prior Exam Recommendation: It was recommended going forward that the Company notify the Commissioner in writing of its intention to enter into those transactions defined under 18 Del. C. §5005(a) (2) at least 30 days prior to entry.

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

Accounts and Records – Accounts and Records Findings - Reinsurance

Prior Exam Recommendation: As noted in the prior exam report, it was again recommended that the Company complete its annual statement blank in accordance with NAIC *Accounting Practices and Procedures*, NAIC *Annual Statement Instructions* and 18 Del. C. §526(a), verifying that all financial and non-financial data is reported accurately, completely, and appropriately.

Current Exam Finding: The Company has not completely complied with this recommendation due to the number of issues associated with this finding. Refer to the "Accounts and Records" section of this Report, under the caption "Accounts and Records Findings - Reinsurance."

Prior Exam Recommendation: It was recommended that the Company comply with 18 Del. Admin. Code 1002 §5.3 and 18 Del. Admin. Code 1003 §13.1 by amending the reinsurance agreements to add the requisite Insolvency and Entire Agreement Clauses.

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

Accounts and Records – Liabilities – General Account – Asset Adequacy Analysis

Prior Exam Recommendation: It was recommended that future Actuarial Opinion Memorandums (AOM) should:

i. Contain product descriptions, including market, underwriting and other aspects of a risk profile and the specific risks associated with the products that the appointed actuary deems significant.

ii. Include a table of actuarial liabilities net of reinsurance ceded as of the valuation date showing the amounts tested under each method and the amounts excluded from testing.

iii. Clearly define the liabilities tested and that there is consistency between the Statement of Actuarial Opinion and the AOM.

iv. Identify and discuss the assets used to support the liabilities analyzed using the Sufficient Short Term Assets method.

v. Include a discussion of the Interest Maintenance Reserve and the assets used in support of this liability.

<u>Current Exam Finding:</u> The Company has complied with these recommendations.

<u>Prior Exam Recommendation:</u> It was recommended that the Company,

i. Use the correct valuation interest rates for determining LTD claim reserves; and

ii. Prepare work papers for IBNR liabilities which identify the methods, procedures, assumptions, and data used by the appointed actuary with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the appointed actuary's work and conclusions.

<u>Current Exam Finding:</u> The Company has complied with these recommendations.

<u>Prior Exam Recommendation:</u> As noted in the prior exam report, it was again recommended that the Company use methodologies and procedures that produce adequate reserves and liabilities for life claims.

Current Exam Finding: The Company has not complied with this recommendation. Refer to the "Notes to Financial Statements" section of this Report, under the caption "Contract Claims: Life" for details.

HISTORY

The Company was incorporated under the laws of the State of Delaware on November 4, 1964, as a subsidiary of American Life Insurance Company (ALICO), and commenced business on August 1, 1966.

The Company became a member of the American International Group, Inc. (AIG) holding company system in 1968 when ALICO was acquired by AIG. In 1992, the Company became a direct, wholly owned subsidiary of AIG when it was acquired from ALICO as a dividend.

On November 30, 2009, AIG contributed all the outstanding shares of ALICO to a special purpose vehicle, ALICO Holdings, LLC (ALICO Holdings) in exchange for all common and preferred shares of ALICO Holdings. AIG subsequently transferred the preferred membership interest in ALICO Holdings to the Federal Reserve Bank of New York (FRBNY) in satisfaction of $9 billion in outstanding obligations to the FRBNY credit facility provided to AIG.

On November 1, 2010, the Company became a wholly-owned subsidiary of MetLife, Inc. ("MetLife" or the "Holding Company"), a Delaware corporation. MetLife acquired the Company from AIG, along with its affiliate ALICO from ALICO Holdings LLC, for approximately $16 billion. In connection with the acquisition, MetLife filed with the State of Delaware Insurance Department (the "Department") a Statement Regarding the Acquisition of

Control of or Merger with a Domestic Insurer on Form A, dated April 14, 2010 (the "Form A"), seeking the approval of the Department to acquire control of the Company. The Form A was approved by the Department on August 26, 2010.

The Company is authorized as a stock insurer to transact the business of life and health insurance, including group and individual life, group and individual credit life, and group accident & health (A&H) as defined in 18 Del. C. § 902 "Life insurance" defined and 18 Del. C. § 903 "Health insurance" defined.

Common Capital Stock and Paid-in Surplus

The Certificate of Incorporation provides that the amount of authorized Capital Stock was $5 million, divided into 50,000 shares with a par value $100 each. At December 31, 2014, 25,000 shares were issued and outstanding, resulting in total capital stock of $2,500,000.

As of December 31, 2014, all outstanding shares of the Company's common stock were owned by its Parent, MetLife, Inc.

During the period under examination, the Company did not receive any contributions from its Parent.

Dividends to Shareholders

During the period under examination, the Company paid the following ordinary dividend to its Parent, MetLife, Inc.:

Year	Dividends
2014	$ 16,000,000

Surplus Notes

As of December 31, 2014, the Company had no outstanding surplus notes.

Borrowed Money

As of December 31, 2014, the Company had no borrowed money.

MANAGEMENT AND CONTROL

Stockholder

Article 2 of the Company’s amended and restated bylaws, states that annual meetings of the stockholders shall be held at such place, either within or without Delaware, and at such time and date before July 1 of each year, as the Chief Executive Officer, President, Chairman, or Secretary shall determine and as set forth in the notice of meeting. At each annual meeting, the stockholders entitled to vote shall elect a Board of Directors and they may transact such other company business as is stated in the notice of meeting or as otherwise appropriate. Special meetings of stockholders for any purpose may be called by the Chief Executive Officer, President, Chairman, or Secretary and may be held at such time and place, within or without the company’s domiciliary state, as shall be stated in the notice of meeting. Each stockholder entitled to vote shall be entitled to one vote for each share of stock held by such stockholder. All elections for directors shall be decided by plurality vote; all other questions shall be decided by majority vote except as otherwise provided by the Articles of Incorporation or applicable law.

Board of Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Articles of Incorporation and bylaws, all corporate powers are exercised by or under the direction of the Board of Directors. The bylaws, as amended December 10, 2010, provide that the Company’s business and affairs shall be managed by the Board of Directors. Subject to restrictions imposed by law, the Articles of Incorporation, or the bylaws, the Board can exercise all of the powers of the Company. The Board shall consist of three (3) or more Directors. 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, 2014, the members of the Board of Directors together with their principal business affiliations were as follows:

Name and Location	**Principal Occupation**
Roberto nmn Baron Manhassett, New York	Senior Vice President
Dermot Michael Cryan Brooklyn, New York	Vice President and Chief Actuary of MetLife's Global Employee Benefits
Daniel A Dekeizer Gleln Ridge, New Jersey	Chairman of the Board, President and Chief Executive Officer

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.

Receipt of the Report on Examination as of December 31, 2012, was noted in the minutes of the Board of Directors.

Committees

Article III, Section 6 of the amended and restated bylaws, states that the Board may by resolution passed by a majority of the Board, designate an Executive Committee consisting of two (2) or more directors. The Executive Committee shall have all the powers of the Board in the interim between meetings of the Board including the power to declare dividends, except where action of the Board is required by law. As of December 31, 2014 the Board had not designated an Executive Committee. In addition to the Executive Committee, the Board by resolution adopted by a majority of the Board may designate such other committees as it deems appropriate. Each committee shall have and exercise only that authority of the Board delegated to it by the resolution creating such committee, except as prohibited by law.

On March 31, 2011, the Board designated an Audit Committee, consisting of all members of the Board. Pursuant to the bylaws, the committee shall meet at such times as may be fixed by the committee, or on the call of the Chief Executive Officer, President, Chairman, or Secretary. A majority of the members shall constitute a quorum for transaction of business. The act of the majority of members of the committee present at a meeting at which a quorum is present shall be the act of the committee. As the Company is a wholly owned subsidiary of MetLife, Inc., this designation is appropriate and meets the requirements of 18 Del. Admin. Code 301 §4.0 "General Requirements Related to Filing and Extensions for Filing of Annual Audited Financial Reports and Audit Committee Appointment." None of the members of the Audit Committee were considered independent.

Officers

Article IV, Section 1 of the amended and restated bylaws states that the Company officers shall be a Chief Executive Officer, a President, a Treasurer, and a Secretary, all of whom shall be elected by the Board and who shall hold office until their successors are elected and qualified. In addition, the Board may elect a Chairman, one or more Vice Presidents, Assistant Secretaries and Assistant Treasurers as they may deem proper. The Chief Executive Officer shall be a director; however, none of the other officers need be directors, unless required by law. The officers shall be elected at each annual meeting. More than two offices may be held by the same person except that the President shall not also hold the office of Secretary. Each officer shall hold office for the term for which he is elected and until his successor shall have been duly elected and qualified, or until death, resignation, or removal.

At December 31, 2014, the Company's principal officers and their respective titles were:

Name	Principal Occupation
Daniel A Dekeizer	Chairman, President and Chief Executive Officer
Peter Martin Carlson	Executive Vice President and Chief Accounting Officer
Tyla Lynn Reynolds	Vice President and Secretary
Marlene Beverly Debel	Senior Vice President and Treasurer
Roberto nmn Baron	Senior Vice President, Reinsurance
Daniel Michael Cryan	Vice President
Lynn Ann Dumais	Vice President and Controller

Conflicts of Interest

The Company maintains a formal written Code of Business Conduct, which sets out minimum standards of ethical conduct that applies to all employees, officers and directors. Incorporated into the Code of Business Conduct is a conflict of interest policy. Each year, all officers and directors are required to complete a Business Conduct Certificate Acknowledgement, re-affirming the commitment to comply with the Code, and reporting any breaches of which they are aware and potential conflicts of interest. The Chief Compliance Officer of the Company provides an annual report to the Board concerning the compliance with the Code of Conduct, as required by the Company's Risk Management Policies, including any potential conflicts of interest.

In accordance with the Delaware Insurance Department Examination Handbook, Section 12, a review of the Company's Annual Code Acknowledgement Statements 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 executed conflict of interest disclosure statements was conducted for all years under examination with no concerns or issues identified.

Articles of Incorporation and bylaws

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

Corporate Records

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

A review of the Insurance Holding Company Annual Registration Statement filings (Form B and Form C) made by and on behalf of the Company for 2014 revealed that the Company had materially complied with 18 Del. C. §5004 and 18 Del. C. §1801.

Holding Company System

The Company is a member of an insurance holding company system as defined in 18 Del. C. §5001(6) "Insurance Holding Company System". The Company's Holding Company Registration Statements (Form B and Form C) were timely filed with the Delaware Insurance Department for the years under examination. The immediate parent of the Company at December 31, 2014 was MetLife, Inc. The Company had no subsidiaries as of December 31, 2014.

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, 2014:

Company	Domicile	% own
MetLife Inc.	Delaware	
Metropolitan Life Insurance Company	New York	100%
MetLife International Holdings, Inc.	Delaware	100%

Metropolitan Property and Casualty Insurance Company	Rhode Island	100%
MetLife Insurance Company USA	Delaware	100%
Metropolitan Tower Life Insurance Company	Delaware	100%
SafeGuard Health Enterprises, Inc.	Delaware	100%
Newbury Insurance Company, Limited	Delaware	100%
First MetLife Investors Insurance Company	New York	100%
MetLife Reinsurance Company of South Carolina	South Carolina	100%
MetLife Reinsurance Company of Charleston	South Carolina	100%
MetLife Reinsurance Company of Vermont	Vermont	100%
MetLife Reinsurance Company of Delaware	Delaware	100%
Delaware American Life Insurance Company[1]	**Delaware**	**100%**
American Life Insurance Company	Delaware	100%

(1.) On November 14, 2013, the Company transferred all of its shares of GBN, LLC (now known as MetLife Consumer Services, Inc.) to MetLife, Inc.

Affiliated Management and Service Agreements

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

The following agreements were entered into prior to the period covered by this examination and remained in effect as of December 31, 2014:

Description	Effective Date
Discretionary Investment Management Agreement with MIM	September 24, 2010
Master Services and Facilities Agreement with ALICO	November 1, 2010
Master Services Agreement with MLIC	November 1, 2010
Assignment and Assumption Agreements with MIM	November 1, 2010
Common Paymaster Agreement with MIHI	November 1, 2010
Personal Services Agreement with MLG	November 1, 2010
Tax Sharing Agreement with MLIC	November 1, 2010
Metropolitan Money Market Pool Partnership Agreement	July 1, 2011
Service Agreement with MetLife Mexico S.A.	February 9, 2012 [(1)]
Administrative Services Agreement with AMCICO Pojistovna A.S.	June 1, 2012

(1) This agreement was amended effective January 1, 2013 to language pertaining to Administrative Fees charged.

<u>Acronym Legend</u>
MIM – MetLife Investment Management, LLC
MIHI – MetLife International Holdings, Inc.
MLG – MetLife Group, Inc.
UAE – United Arab Emirates

The above agreements have previously been reviewed; however, balances associated with the above agreements as of December 31, 2014 were reviewed as part of this examination.

Agreements entered into during the period covered by this examination and remaining in effect are summarized as follows:

Service Agreement – ALICO Gulf (United Arab Emirates Branch of ALICO)

Effective January 1, 2013, the Company and the United Arab Emirates Branch of ALICO (ALICO Gulf) were party to an arrangement whereby ALICO Gulf provides administrative services to the Company with respect to ALICO insureds in the Gulf region who are covered under a group insurance policy issued by the Company to cover an employer's expatriate employees and their eligible dependents. Services provided by ALICO Gulf include claims processing, claims data file handling and customer service with respect to claims inquiries.

Administrative Services Agreement – MetLife Hungary

Effective July 1, 2013, the Company and MetLife Biztosito Zrt (MetLife Hungary), entered into an Administrative Services Agreement whereby the Company provides administrative services to MetLife Hungary with respect to MetLife Hungary insureds who are covered under a group insurance policy issued by MetLife Hungary to cover an employer's expatriate employees working in the Czech Republic and their eligible dependents. Services provided by the Company include, but are not limited to, (i) collecting, reconciling and refunding premiums, (ii) administrating and paying claims, (iii) providing administrative support with handling customer complaints and inquiries, and (iv) handling all subrogation and recovery matters.

Administrative Services Agreement - MGB

Effective August 1, 2013, the Company and MetLife Global Benefits Ltd. (MGB) entered into an Administrative Services Agreement. Under terms of the agreement, the Company will provide certain administrative services to MGB. The administrative services include, among others, (i) collecting, reconciling and refunding premiums, (ii) handling eligibility requirements, (iii) administering and paying, if appropriate, claims; (iv) handling customer complaints and inquiries; administering all relationships with producers, including the supervision and audit of third party administrators.

Global Service Agreement - MIHI

Effective June 19, 2014, the Company, ALICO, and MTL (the “Companies”) entered into a service agreement with MetLife International Holdings, Inc. (MIHI), wherein MIHI will serve as a conduit for foreign vendors, including MIHI’s foreign subsidiaries and affiliates within the MetLife enterprise, to provide shared services and facilities used by the Companies.

MIHI will provide such services requested by each of the Companies as each company may determine to be reasonably necessary or beneficial to the conduct of its operations. The services to be provided will allow the Companies to obtain services necessary or beneficial for their operations in a cost efficient manner. The types of services that will be available to the Companies under the agreement will include: actuarial advice and assistance; benefits management; controller and finance support; human resource support; information technology services; product management and development; data entry processing services; and global brand marketing initiatives.

Guarantees and Indemnities

At December 31, 2014, the Company's aggregate compilation of guarantee obligations was $0.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2014, the Company was licensed in the District of Columbia and all 50 states. During the examination period, the Company obtained licenses in New York (effective January 1, 2013); North Carolina (effective February 4, 2013); New Hampshire (effective March14, 2013) and Minnesota (effective August 19, 2013). The Company is authorized as a stock insurer to transact the business of life and health insurance as defined in 18 Del. C. § 902 "Life insurance" defined and 18 Del. C. § 903 "Health insurance" defined.

The principal office facilities of the Company are located in Wilmington, DE.

Plan of Operation

At December 31, 2014, approximately 93% of direct premiums were produced outside of the U.S.

The geographical breakdown of direct written premiums as of December 31, 2014 was: Aggregate Other Alien, $71,338,489 (92.4%); Delaware, $1,591,514 (2.06%); California, $319,391 (0.4%); Michigan, $265,943 (0.3%); New York, $223,057 (0.3%); other jurisdictions, $3,498,882 (4.5%).

The Company's operations consist of two components (1) reinsurance primarily from affiliates, and (2) expatriate business, both of which are reported within the MetLife's Corporate & Other segment.

Corporate & Other contains the excess capital not allocated to the segments, various start-up businesses (including direct and digital marketing products), run-off businesses, MetLife's ancillary international operations and interest expense related to the majority of MetLife's outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes assumed reinsurance of certain variable annuity products from a former affiliated operating joint venture in Japan. Additionally, Corporate & Other includes a reinsurance agreement to assume certain blocks of indemnity reinsurance from an affiliate. These reinsurance agreements were recaptured effective November 1, 2014.

Sales Distribution

The Company markets group life, accidental death and dismemberment, medical, dental and long term disability business on a group basis. The customer focus of this business is on employees working outside their own country of citizenship and residing outside the United States. This "expatriate benefits" business is marketed through its sales force, consisting of 7 sales associates and 1 sales director, who are located in Wilmington, DE. The sales force is organized by regional sales areas covering the North, Mid-Atlantic, Southeast, South, and West Coast regions as well as California. The regional sales personnel are licensed agents who work with various licensed brokers / agencies throughout the U.S. All policies are written in the State of Delaware, either directly (if the client has a presence in Delaware) or through a group insurance trust. As the Company's insured memberships are not necessarily U.S. residents, this approach allows the Company to offer a streamlined, simple product to its customer base.

MetLife's expatriate benefits operating model utilizes a foundation of leveraging existing MetLife and partner operations to complement the Company's global headquarters in

Wilmington, DE. The Expatriate Unit (in Wilmington, DE) provides a local-service model for its global membership providing three foundation pillars: 1) local multilingual customer service support, 2) local health claim processing service, and 3) access to proprietary networks of hospitals and clinics. Using a traditional “hub and spoke” approach, the Company headquarters in Wilmington, DE is responsible for overall program management, underwriting/pricing, business/network development, claim processing/service, as well as overall client management.

The expatriate benefits unit utilizes Regional Service Centers (RSC’s) to provide local administration of policies. Over the span of years, the Expatriate Unit has selected a collection of 7 geographical hubs and MetLife wholly owned offices to provide global service support for its global membership. At the basis of each partnership, is a set of core elements, which include:

- Dedicated Account Executive / Key Contact
- Dedicated Claims / Service / Case Management teams
- Network Management
- Access to established networks of hospitals and clinics with local fee schedules and discount arrangements
- A local team with knowledge of reasonable and customary rates
- Local fraud detection support teams.

Through the use of these local partners, the global membership is able to access the same type of service as the local book of business. Using data specific to the Expatriate Unit in the U.S., local partners are able to activate members in their system in order to access network providers, provide customer assistance and pay claims on behalf of the Company’s policy.

During the examination period, the Company utilized the services of American Health Administrators, Inc. (AHA), a third-party administrator in the United States, for administering its medical business. FutureScripts, a Catamaran company (subcontractor for AHA), provided pharmacy/prescription benefits management for group employers with benefit programs insured by the Company. The Company's agreement with AHA was terminated on December 31, 2015. These services are now being provided by another third-party administrator.

A summary of premiums and annuity considerations for 2014 is described as follows:

	Ordinary Life Insurance	Credit Life Individual	Group Life Insurance	Accident and Health Group	Accident and Health Other	Total
Direct	$ 1,547,093	$ -	$14,315,369	$59,862,473	$ -	$ 75,724,935
Reinsurance Assumed	8,935,347	26,606	2,630,021	8,432,719	16,731,922	36,756,615
Reinsurance Ceded	1,897,466	33,373	3,178,725	5,101,373	161,737	10,372,674
Net Premiums Written	$ 8,584,975	$ (6,767)	$13,766,665	$63,193,818	$16,570,185	$102,108,876

Best's Rating

Based on A.M. Best's current opinion of the consolidated financial condition and operating performance of the Company, the Company was rated A (Excellent) for the year ending December 31, 2014, with a stable outlook.

REINSURANCE

For 2014, the Company reported the following distribution of net premiums written:

Direct	$ 75,724,935
Reinsurance assumed (from affiliates)	33,592,805
Reinsurance assumed (from non-affiliates)	3,163,810
Total direct and assumed	$ 112,481,550
Reinsurance ceded (to affiliates)	(6,108,293)
Reinsurance ceded (to non-affiliates)	(4,264,381)
Net premium written	$ 102,108,876

The Company participates in reinsurance activities in order to limit losses, minimize exposure to significant risks and provide additional capacity for future growth.

For its life insurance products, the Company reinsures, depending on the product, risks above the corporate retention limit of up to $5 million to external reinsurers on a yearly renewable term basis. The Company may also reinsure certain risks with external reinsurers depending upon the nature of the risk and local regulatory requirements. The Company reinsures, for selected large corporate customers, its group employee benefits or credit insurance business with various client-affiliated reinsurance companies, covering policies issued to the employees or customers of the clients. Additionally, the Company cedes and assumes risk with other insurance companies when either company requires a business partner with the appropriate local licensing to issue certain types of policies in certain countries. In these cases, the assuming company typically develops the products, underwrites the risks, and assumes most or if not all of the risk.

Assumed

The Company currently assumes traditional reinsurance from various affiliated and unaffiliated U.S and Non-U.S companies on a yearly renewable term and coinsurance basis for both individual and group business. The Company also assumes catastrophe business primarily from affiliated companies.

Ceded

The Company's "Legacy" business is ceded 100% to American General Life Insurance Company of Delaware. The Company has exposure to catastrophes, which could contribute to significant fluctuations in the Company's results of operations. The Company currently purchases catastrophe coverage for certain countries deemed to be exposed to the greatest catastrophic risks. This coverage includes nuclear and terrorism risks. The Catastrophe reinsurance, purchased externally, is also on behalf of ALICO, covering the business assumed from the ALICO branches.

The Company reinsures its business through a diversified group of reinsurers and periodically monitors collectability of reinsurance balances. No single unaffiliated reinsurer has a material obligation to the Company nor is the Company's business substantially dependent upon any reinsurance agreement. The Company is contingently liable with respect to ceded reinsurance should any reinsurer be unable to meet its obligations under these agreements. The Company analyzes recent trends in arbitration and litigation outcomes in disputes, if any, with its reinsurers. The Company monitors ratings and evaluates the financial strength of the Company's reinsurers by analyzing their financial statements.

The letters of credit and miscellaneous balances for unauthorized reinsurers were reviewed and were determined to comply with the requirements of 18 Del. Admin. Code 1003 "Credit for Reinsurance" and the NAIC *Accounting Practices and Procedures Manual*, SSAP No. 61.

The Company did not have any inter-company pooling arrangements at December 31, 2014.

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 Statutory Accounting Principles (SSAP). No exceptions were noted.

Accounts and Records Findings - Reinsurance

The following finding and recommendation were noted during the examination and pertain to presentation discrepancies noted within Reinsurance. These discrepancies included the following financial and nonfinancial items:

- The Company reported ceded reinsurance agreements in the 2013 and 2014 Schedule S - Part 3 with incorrect effective dates. A reconciliation of the reported 2013 Schedule S - Part 3 to actual ceded reinsurance contracts identified 8 out of 31 (or 25.8%), while a reconciliation of 2014 Schedule S – Part 3 to actual ceded reinsurance contracts identified 4 out of 43 (or 9.3%) of individually reported lines of ceded reinsurance in Schedule S – Part 3 with incorrect effective dates. *NAIC Annual Statement Instructions* require that the effective date used in Schedule S be the date the contract originally went into effect. This same issue was likewise noted in the prior 2012 examination.

The above finding represents non-compliance with 18 Del. C. §526(a), which states in part,

> "(a) Each authorized insurer shall annually on or before March 1, . . . , file with the Commissioner a full and true statement of its financial condition, transactions and affairs as of December 31 preceding. The statement filing shall be the annual statement form approved by the National Association of Insurance Commissioners ("NAIC") prepared in accordance with NAIC annual statement requirements and the NAIC accounting practices and procedures manual, except as otherwise prescribed or permitted by this title or by the Commissioner."

Therefore,

> **As noted in the prior exam report, it is again recommended that the Company complete its annual statement blank in accordance with NAIC *Accounting Practices and Procedures,* NAIC *Annual Statement Instructions* and 18 Del. C. §526(a), verifying that all financial and non-financial data is reported accurately, completely, and appropriately.**

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Delaware Department of Insurance and present the financial condition of the Company for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements, and should be considered an integral part of the financial statements.

General Account:

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

Schedule of Examination Adjustments

The narrative on the reserve related balances is presented in the Notes to the Financial Statements section of this report.

Assets
As of December 31, 2014

	Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	$ 85,991,543	$	$ 85,991,543	
Cash, cash equivalents and short-term investments	11,244,835		11,244,835	
Other invested assets	5,463,138		5,463,138	
Receivables for securities	5,524,562		5,524,562	
Investment income due and accrued	683,553		683,553	
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	18,925,325	819,759	18,105,566	
Deferred premiums, agents' balances and installments booked but deferred	69,567		69,567	
Reinsurance:				
Amounts recoverable from reinsurers	2,277,309		2,277,309	
Other amounts receivable under reinsurance contracts	5,036,604		5,036,604	
Net deferred tax asset	5,510,142	3,292,563	2,217,579	
Guaranty funds receivable or on deposit	9,262		9,262	
Receivable from parent, subsidiary and affiliates	122,906		122,906	
Aggregate write-ins for other than invested assets	1,561,296	1,561,296	-	
Total assets excluding Separate Accounts	$ 142,420,042	$ 5,673,618	$ 136,746,424	
From Separate Accounts		-	-	
Total	$ 142,420,042	$ 5,673,618	$ 136,746,424	

Liabilities, Surplus and Other Funds
As of December 31, 2014

			Notes
Aggregate reserves for life contracts	$	2,044,923	1
Aggregate reserves for accident and health contracts		9,631,598	2
Liability for deposit-type contracts		-	3
Contract claims:			
Life		9,549,395	4
Accident and health		19,295,097	5
Premiums and annuity considerations for life and accident and health contracts received in advance		1,156,018	
Contract liabilities not included elsewhere:			
Provision for experience rating refunds		4,099,003	
Other amounts payable on reinsurance		5,171,676	
Interest maintenance reserve		1,087,812	
Commissions and expense allowances payable on reinsurance assumed		4,229,449	
General expenses due or accrued		20,917	
Taxes, licenses and fees		171,989	
Current federal and foreign income taxes		2,011,759	
Remittances and items not allocated		1,677,461	
Liability for benefits for employees and agents if not included above			
Miscellaneous liabilities:			
Asset valuation reserve		424,387	
Reinsurance in unauthorized companies		1,236,484	
Funds held under reinsurance treaties and unauthorized reinsurers		-0-	
Payable to parent, subsidiaires and affiliates		2,087,919	
Funds held under coinsurance		-0-	
Derivatives		-0-	
Payable for securities lending		-0-	
Aggregate write-ins for liabilities		1,629,793	
Total liabilities excluding Separate Accounts	$	65,525,680	
From Separate Accounts Statement		-	
Total Liabilities	$	65,525,680	
Common capital stock		2,500,000	
Gross paid-in and contributed surplus		35,971,736	
Aggregate write-ins for special surplus funds		544,923	
Unassigned funds		32,204,085	
Surplus	$	71,220,744	
Total Liabilities, Capital and Surplus	$	136,746,424	

Summary of Operations
As of December 31, 2014

Premiums and annuity considerations for life and accident and health contracts	$	102,108,876
Net investment income		3,136,328
Amortization of Interest Maintenance Reserve		190,230
Commissions and expense allowances on reinsurance ceded		362,335
Totals	$	105,797,769
Death benefits	$	6,465,452
Disability benefits and benefits under accident and health contracts		41,975,208
Increase in aggregate reserves for life and accident and health contracts		168,607
Totals	$	48,609,267
Commissions on premiums, annuity considerations and deposit-type contracts funds		4,045,225
Commissions and expense allowances on reinsurance assumed		13,764,356
General insurance expenses		21,601,164
Insurance taxes, licenses and fees, excluding federal income taxes		736,534
Increase in loading on deferred and uncollected premiums		176,069
Totals	$	88,932,615
Net gain from operations before dividends to policyholders and federal income taxes	$	16,865,154
Dividend to policyholders		-
Net gain from operations after dividends to policyholders and before federal income taxes		16,865,154
Federal and foreign income taxes incurred		7,467,651
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains (losses)		9,397,503
Net realized capital gains (losses)		565,685
Net Income	$	9,963,188

Capital and Surplus Account
As of December 31, 2014

Capital and surplus, December 31, prior year	$	74,260,594
Net income (Loss)		9,963,188
Change in net unrealized capital gains or (losses) less capital gains tax of $ (146,650)		146,650
Change in net unrealized foreign exchange capital gain (loss)		(419,002)
Change in net deferred income tax		2,139,535
Change in nonadmitted assets		(2,889,049)
Change in liability for reinsurance in unauthorized companies		3,338,557
Change in asset valuation reserve		8,769
Dividends to stockholders		(16,000,000)
Aggregate write-ins for gains and losses in surplus		(1,267,498)
Net change in capital and surplus for the year	$	(4,978,850)
Change as a result of December 31, 2014 examination		1,939,000
Capital and surplus, December 31, current year	$	71,220,744

Reconciliation of Capital and Surplus
From December 31, 2012 to December 31, 2014

			Notes
Capital and Surplus, December 31, 2012		$ 54,603,791	
Net income		27,111,463	
Additions:			
Change in net unrealized capital gains (losses) less capital gains tax of $ (146,650)	86,607		
Change in net deferred income tax	1,810,405		
Change in liability for reinsurance in unauthorized and certified companies	5,741,396		
Change as a result of December 31, 2014 examination	1,939,000		5
Total Additions		9,577,408	
Deductions			
Change in net unrealized foreign exchange capital gain (loss)	(247,440)		
Change in non-admitted assets	(2,501,716)		
Change in asset valuation reserve	(55,264)		
Dividends to stockholders	(16,000,000)		
Aggregate write-ins for gains and losses in surplus	(1,267,498)		
Total Deductions		(20,071,918)	
Capital and Surplus, December 31, 2014		$ 71,220,744	

SCHEDULE OF EXAMINATION ADJUSTMENTS

Description	Per Examination	Per Company	Surplus Increase (Decrease)	Notes
Assets:				
Adjusted Admitted Assets	$ -	$ -	$ -	
Claims: Accident & Health	$ 19,295,097	$ 21,234,097	$ 1,939,000	5
Unassigned funds	32,204,085	30,265,085	(1,939,000)	
Adjusted Liabilities and Surplus	$ 51,499,182	$ 51,499,182	$ -	

NOTES TO FINANCIAL STATEMENTS

Liabilities – General Account

General

As of December 31, 2014, the Company held General Account reserves primarily for individual and group life insurance, annuities and group accident & health insurance. As of December 31, 2014, the Company's business was comprised of four product segments:

1. Closed block, consisting primarily of life insurance and annuities, administered by and 100% reinsured to American General Life Insurance Company of Delaware (AGLDE).
2. Expatriate benefits issued under group contracts which insure U.S. citizens and their dependents while living and working in another country.
3. Assumed reinsurance business from its affiliate, ALICO. This program began in 2009 when the Company began assuming business from ALICO branches that had been formerly ceded to an AIG affiliate. The Company reinsures business written by ALICO's foreign branches when it exceeds the branches' retention.
4. Assumed reinsurance from non-U.S. affiliated companies. This product segment consists of several catastrophe reinsurance treaties with non-U.S. MetLife companies. Catastrophe reinsurance indemnifies the ceding company for losses in excess of a stipulated sum arising from a single catastrophic event or series of events.

Asset Adequacy Analysis

The Consulting Actuary reviewed the 2014 Asset Adequacy Analysis (AAA) conducted as required by the Actuarial Opinion Memorandum Regulation (AOMR). As a result of the AAA analysis performed, the Company's Appointed Actuary concluded that no additional AAA reserves were required as of December 31, 2014. Based on the Consulting Actuary's review, this conclusion was accepted by the Consulting Actuary subject to the following,

It is recommended that that future Actuarial Opinion Memorandums (AOM) should:

i. Include specific descriptions of all liability assumptions used in the analysis. If an assumption was excluded, disclose why the impact of the excluded assumption was immaterial in the analysis used to determine adequacy.
ii. Include specific descriptions of all asset assumptions used in the analysis. If an assumption was excluded, disclose why the excluded assumption did not impact the analysis determining adequacy.

Data Validity and Inclusion Testing

The examination of the Company was conducted as a Risk-Focused Examination following the procedures as outlined in the Financial Condition Examiners Handbook, 2015 Edition (Handbook).

The two data risks which are significant for reserve verification are the validity of underlying valuation data, and the inclusion of all business in the valuation. Following the Handbook procedures, it appeared that the valuation extract files were generally accurate and the Consulting Actuary concluded that the underlying data provided was accurate and complete for the purposes of its actuarial review.

Summary of the Analysis for the Liability and Asset Balance Sheet Items

Reserves were reviewed by the Consulting Actuary for compliance with standard valuation laws, applicable National Association of Insurance Commissioners (NAIC) Actuarial Guidelines and Model Regulations. The Consulting Actuary's analysis of the aggregate reserves for life and for accident and health contracts indicated that they were fairly stated. The

Consulting Actuary's review of claim liabilities for life and accident and health contracts indicated that the Company made adequate provision for these liabilities.

The Consulting Actuary reviewed the Company's assets for uncollected premiums and agents' balances. Based on this review, the Consulting Actuary concluded that the Company made adequate provision for this asset.

Reinsurance

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

The Financial Examiners conducted a review of all significant reinsurance treaties and amendments for assumed and ceded business. The Consulting Actuary selected a sample of material reinsurance treaties to review transfer of risk; no concerns were found. The Consulting Actuary relied on the Financial Examiners' review for compliance with Delaware Insurance Regulation 1002. The Consulting Actuary reconciled reinsurance ceded reserves to the Annual Statement Schedule S, and concluded that the reserves reported in Schedule S were reasonable.

The financial examiners discovered a few discrepancies with the sampled contracts; however, these discrepancies did not affect the reserve amount for year-end 2014. Refer to the "Accounts and Records" section of this Report, under the caption "Accounts and Records Findings – Reinsurance" for details of the issue identified by the financial examiners. The Company provided sufficient documentation to verify the reserve amounts were correct. No other exceptions were noted.

Summary

The balance sheet items enumerated in the Examination Scope appeared fairly stated and were calculated using valuation parameters which are substantially free of any material error that would adversely affect reserve calculations. Valuation extract files appeared to be complete. Based on the above analysis, the Consulting Actuary concluded that the December 31, 2014 balance sheet items covered in the actuarial examination were accepted as stated.

(1) Aggregate reserves for life contracts **($2,044,923)**

The above-captioned amount, which is the same as that reported by the Company in its 2014 Annual Statement, is reported on Page 3, Line 1 and in Exhibit 5.

The reserve breakdown of Exhibit 5, by type of benefit, is as follows (differences due to rounding):

Reserve Segment	Total Gross	Reinsurance Ceded	Total Net
Life Insurance	$23,010,409	$21,250,026	$1,760,383
Annuities	7,901,506	7,901,506	0
Supplementary Contracts	0	0	0
Accidental Death Benefits	56,483	24,077	32,406
Disability - Active Lives	5,884	5,884	0
Disability - Disabled Lives	1,593,749	1,341,615	252,134
Miscellaneous Reserves	47,904	47,904	0
Totals	$32,615,935	$30,571,012	$2,044,923

The aggregate reserve was held primarily for ordinary life, universal life (UL), group life, immediate annuities and related ancillary benefits.

As part of the annual certificate of reserve valuation procedure, the Consulting Actuary reviewed the December 31, 2014 life reserves and deposit-type contract liabilities. During that process, valuation files and summary work papers were reviewed and found to be in order. Reserves were reconciled from the summary work papers to Exhibit 5. The Actuarial Opinion was reviewed and found to be in order.

The Consulting Actuary performed a trend analysis of the Exhibit 5 life reserves covering the years 2011 through 2014. Where appropriate, samples of contracts were selected from the valuation systems for reserve testing.

The primary risks associated with Exhibit 5 are adverse mortality, asset default, interest rate volatility and mismatching of asset and liability cash flows. These risks were reviewed by evaluating the 2014 AOM. Based on that review, the Consulting Actuary accepted the Company's conclusion that additional reserves as the result of Asset Adequacy Analysis were not required.

The Consulting Actuary reviewed the various Exhibit 5 segments through a combination of trend analysis, review of various supporting documentation prepared by the Company, actuarial analysis, and verification of reserves by recalculating the reserve for sampled contracts. No material exceptions were noted.

The Consulting Actuary performed a review of reinsurance ceded reserve credits taken within Exhibit 5 as of December 31, 2014. The Company had reinsurance ceded treaties with several reinsurance companies as of December 31, 2014. The Company provided work papers supporting the ceded reserves and liabilities. The Consulting Actuary reviewed these work papers and reconciled them to the ceded reserve total. The Consulting Actuary reviewed the trend for the reinsurance credit from 2011 to 2014. The slightly decreasing trend appears reasonable since the majority of the ceded reinsurance is for a closed block of business.

The Consulting Actuary reconciled the Exhibit 5 total ceded reserve and the Exhibit 7 total ceded liability to the amount reported in Schedule S - Part 3 - Section 1 (reinsurance ceded for life, annuity and deposit-type reserves and liabilities) in the December 31, 2014 Annual Statement. The Consulting Actuary noted that most (approximately 96%) of the reserves ceded involve the closed block administered by and 100% reinsured to AGLDE. Based on the above analysis, the Consulting Actuary concluded that the above Exhibit 5 reinsurance reserve credits appeared reasonable.

Based on procedures performed, the Consulting Actuary concluded that the aggregate reserve for life contracts as reported on Page 3, Line 1 and in Exhibit 5 of the December 31, 2014 Annual Statement appears fairly stated, and has been accepted for examination purposes.

(2) Aggregate reserve for accident and health contracts **($9,631,598)**

The above-captioned amount, which is the same as that reported by the Company in its 2014 Annual Statement, is reported on Page 3, Line 2 and in Exhibit 6. The reserve breakdown in Exhibit 6 is as follows:

A&H Reserves	Gross	Ceded	Net
Unearned Premium Reserves	$11,934,270	$3,079,873	$8,854,397
Claim Reserve	4,892,394	4,115,193	777,201
Totals	$16,826,664	$7,195,066	$9,631,598

An analysis of the individual components comprising this liability was performed. The Consulting Actuary reviewed the supporting work papers and found them to be in order. The Consulting Actuary reconciled the supporting work papers to Exhibit 6 of the December 31, 2014 Annual Statement. No discrepancies were noted. In addition, a trend of the reserve for years 2011 to 2014 appears reasonable. Where appropriate, samples of claims were selected from the valuation systems for reserve testing. The Consulting Actuary verified reserves for each of the sampled contracts without exception.

Based on procedures performed, the Consulting Actuary concluded that the aggregate reserve for accident and health contracts as reported by the Company on Page 3, Line 2 and in Exhibit 6 of the December 31, 2014 Annual Statement appears fairly stated, and has been accepted for examination purposes.

(3) <u>Liability for deposit-type contracts</u> **<u>($0)</u>**

The above-captioned amount, which is the same as that reported by the Company in its 2014 Annual Statement, is reported on Page 3, Line 3 and in Exhibit 7. The liability breakdown of Exhibit 7 is as follows:

Liability Item	Total Gross	Reinsurance Ceded	Total Net
Annuities Certain	$1,633,132	$1,633,132	$0

This liability was part of the closed block administered by and 100% reinsured to AGLDE. This liability represented contracts in payout status which do not involve life contingencies.

As part of the annual certificate of reserve valuation procedure, the Consulting Actuary reviewed the December 31, 2014 life reserves and deposit-type contract liabilities. During that process, valuation files and summary work papers were reviewed and found to be in order. Reserves were reconciled from the summary work papers to Exhibit 7. A trend analysis of the Exhibit 7 liability produced a decreasing pattern, which was reasonable considering this is a closed block of business.

Annuities certain are similar to immediate annuities reported in Exhibit 5 with the exception that payments for annuities certain are guaranteed for a fixed period and not contingent on the annuitant remaining alive. The Consulting Actuary did not identify any specific reserve related risk factors for these contracts.

Based on the above discussion and analysis, 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, 2014 Annual Statement appears fairly stated, and has been accepted for examination purposes.

(4) Contract claims - Life **($9,549,395)**

The above-captioned amount, which is the same as that reported by the Company in its 2014 Annual Statement, is reported on Page 3, Line 4.1 and in Exhibit 8, Part 1, columns 2 through 8. The liability breakdown by type is as follows:

Liability Type	Total Gross	Reinsurance Ceded	Total Net
Due and Unpaid	$ 3,653,052	$ 0	$3,653,052
In course of settlement (ICOS)	1,306,989	545,101	761,888
Incurred but unreported (IBNR)	5,544,009	409,554	5,134,455
Total	$10,504,050	$954,655	$9,549,395

The Due and Unpaid and ICOS liabilities have few complicated reserving issues and the liability amounts were based on reasonable methodologies. The Consulting Actuary reviewed the Company's work papers supporting the above amounts. Summary work papers were reviewed and found to be in order. The liabilities were reconciled from the summary work papers to Exhibit 8.

The Due and Unpaid and ICOS liabilities are inventory items which do not involve actuarial judgment, were reviewed by the Financial Examiners and accepted as stated.

The IBNR liability represents the estimate of all claims incurred prior to January 1, 2015 but not reported to the company as of December 31, 2014. The Consulting Actuary performed an analysis of IBNR by comparing the amount of the IBNR liability to both the claims incurred during the year and the net amount at risk in effect at the end of the year for years 2011 through 2014. Based on this analysis, the Consulting Actuary concluded that the methods used by the Company to determine the life insurance IBNR produced reasonable results and that the IBNR liability for life insurance on December 31, 2014 was sufficient. No further examination work was deemed necessary and the liability was accepted as stated.

The Consulting Actuary compared the contract claims: life ceded liability of $954,655 ($189,804 for ordinary life plus $764,851 for group life) to the amount reported in column 7 of Schedule S-Part 2 (reinsurance recoverable and paid and unpaid losses) in the December 31, 2014 Annual Statement of $954,655. Consistent with the Annual Statement instructions, the two amounts were identical. In addition, a trend analysis of the Exhibit 8 Contract claims: Life liability generally produced reasonable results.

Based on the above discussion and analysis, the Consulting Actuary concluded that the Contract claims: Life, as reported by the Company on Page 3, Line 4.1 and in Exhibit 8, Part 1 of the December 31, 2014 Annual Statement appears fairly stated, and has been accepted for examination purposes.

In addition to the Actuarial review, a review of inclusion and completeness was performed by the examiners. Based on this review, it was determined that the direct life claim reserve for claims in course of settlement as reported in Exhibit 8 - Part 1, was overstated by a nominal amount. Therefore,

As noted in the prior exam report, it is again recommended that the Company use methodologies and procedures that produce adequate reserves and liabilities for life claims.

(5) Contract claims: Accident and health **($19,295,097)**

The above-captioned amount, is $1,939,000 less than the amount reported on Page 3, Line 4.2 and in Exhibit 8, Part 1, columns 9 through 11 of the 2014 Annual Statement, to reflect the balance reported in the Company's 2014 Audited Financial Statement. The liability breakdown by type is as follows:

Liability Type	Total Gross	Reinsurance Ceded	Total Net
Due and Unpaid	$ 3,327,829	$ 0	$ 3,327,829

In course of settlement (ICOS)	882,409	125,446	756,963
Incurred but unreported (IBNR)[(1)]	16,167,277	956,972	15,210,305
Total	$20,377,515	$1,082,418	$19,295,097

(1) Total IBNR is broken into the following product segments: Assumed from ALICO, Expatriate Medical, Expatriate LTD, and Legacy Block. This balance reflects the IBNR per the 2014 Audited Financial Statements which was not reflected in the 2014 filed Annual Statement. The difference between the Audited Financial Statements and filed Annual Statement was $1,939,000.

The Consulting Actuary reviewed the Company's work papers supporting the above amounts. These work papers were reviewed and found to be in order. The liabilities were reconciled from the summary work papers to Exhibit 8.

A portion of the Contract claims: Accident and health liability was established for reinsurance business from an affiliated company, ALICO. The Due/Unpaid and ICOS items were inventory items which do not involve actuarial judgment and were accepted as stated. The Consulting Actuary reviewed summary reconciliation work papers provided by the Company in support of the ICOS liability and found them to be in order.

In addition, the overall claim liability was reviewed for reasonableness using the claim liability adequacy test from Schedule H of the Annual Statement which is discussed later in this section.

The IBNR for the Expatriate Medical business was determined by applying a percentage of 18.1% to annual earned premium. Claim triangles for Expatriate Medical benefits paid through September 30, 2015 were provided by the Company. The Consulting Actuary performed a retrospective calculation of the IBNR liability as of December 31, 2014 using actual claims reported through September 30, 2015 and a completion factor approach for claims expected to be paid thereafter. The total recalculated liability represents a better estimate of the year end liability established by the Company since it is based on more current data. The Consulting Actuary calculated a liability of approximately $6.1 million which was approximately

60% of the Company's corresponding year end liability of $10.4 million. Based on the results of this analysis and additional testing performed, the Consulting Actuary concluded that IBNR liability for the Expatriate Medical business of $10,437,327 was sufficient.

The IBNR for the Expatriate LTD business was determined by applying an expected loss ratio of 50% to annual earned premium for each policy and then summed over all policies. The Consulting Actuary concluded that the methodologies and results were reasonable.

The Company's Schedule H – Accident and Health Exhibit as indicated in the Annual Statements for years 2011 through 2014 was used as a measure of the adequacy of the claim liability for the prior years under examination. The liabilities established were adequate for all-trend years except 2012, which indicated that the methodology used was reasonable.

The Consulting Actuary reconciled the contract claims: Accident and Health ceded liability of $1,082,418 to the amount reported in column 7 of Schedule S-Part 2 (reinsurance recoverable and paid and unpaid losses) in the December 31, 2014 Annual Statement of $1,082,418. Consistent with the Annual Statement instructions, the two amounts were identical.

A trend analysis of the Exhibit 8 Contract claims: Accident and health liability was performed and indicated a large increase in 2012. This increase was attributable to two changes in 2012:

i. Prior to 2012 the claim reserves for the Expatriate Medical business was split between Exhibits 6 and 8 whereby 50% of the total was allocated to each Exhibit. In the 2012 Annual Statement, the total liability was reported in Exhibit 8.
ii. The liability for the business assumed from ALICO exhibited a significant increase due to the correction of a 2011 understatement.

Based on the above analysis, the Consulting Actuary concluded that the trends indicated a reasonable pattern.

Annual Statement instructions stated that contract claims incurred on or prior to December 31 of the statement year but not reported to the company until after that date were to be reported in Exhibit 8 and that the liability for unaccrued benefits was to be included in Exhibit 6. The Consulting Actuary's examination work focused on appropriateness of the total liability and not how the liability was allocated between Exhibits 6 and 8, since the allocation does not have any financial ramifications.

Based on the above discussion and analysis, the Consulting Actuary concluded that the Contract claims: Accident and health, as reported by the Company on Page 3, Line 4.2 and in Exhibit 8, Part 1 of the December 31, 2014 Annual Statement appears fairly stated, and has been accepted for examination purposes as adjusted.

SUBSEQUENT EVENTS

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

Dividends

As of December 31, 2015, subsequent to the period under examination, the Company paid the following dividend:

Year	Dividend
4Q2015	$ 9,000,000 [1]

(1) On December 24, 2015, the Company paid an ordinary dividend in the amount of $9 million to its immediate parent, MetLife, Inc.

Intercompany Agreements

Subsequent to December 31, 2014, the Company entered into the following intercompany agreement:

Administration Services Agreement between DELAM and MetLife Europe Limited, pobočka pro Českou republiku

Effective September 1, 2015, the Company entered into an Administration Services Agreement with MetLife Europe Limited, pobočka pro Českou republiku (MEL Czech Branch), a Czech Republic affiliate.

Under terms of the agreement, the Company will provide certain administrative services to MEL Czech Branch. These administrative services include, (a) collecting, reconciling and refunding premiums; (b) administering and paying claims; (c) handling customer complaints and inquiries; (d) handling regulatory inquiries, surveys or examinations; (e) administering the Reinsured Contracts; (f) administering all relationships with producers; (g) handling any amendments that are required; (h) handling all subrogation and recovery matters; (i) paying commissions payable to producers; and (j) performing all other administrative services.

A service fee will be payable by MEL Czech Branch to the Company equivalent to 5% of the premium reinsured under a reinsurance agreement by and between MEL Czech Branch and the Company, which will be effective as of the same date as the agreement and by which MEL Czech Branch agrees to reinsure with the Company the Group Medical Business.

The agreement will continue until a date which is earlier (a) on the date there are no further reinsured contracts, or (b) the date on which the Administration Agreement is terminated pursuant to Section 92 of the agreement, which include: (1) termination by either party with ninety (90) day written notice to the other party, (2) insolvency of the Company, or (3) the Company is in a material breach of contract that has not been corrected within thirty (30) days.

SUMMARY OF RECOMMENDATIONS

1. **As noted in the prior exam report, it is recommended that the Company complete its annual statement blank in accordance with NAIC *Accounting Practices and Procedures*, NAIC *Annual Statement Instructions* and 18 Del. C. §526(a), verifying that all financial and non-financial data is reported accurately, completely, and appropriately. (Accounts and Records – Accounts and Records Findings – Reinsurance, page 21)**

2. **It is recommended that that future AOMs should:**

   i. **Include specific descriptions of all liability assumptions used in the analysis. If an assumption was excluded, disclose why the impact of the excluded assumption was immaterial in the analysis used to determine adequacy.**
   ii. **Include specific descriptions of all asset assumptions used in the analysis. If an assumption was excluded, disclose why the excluded assumption did not impact the analysis determining adequacy. (Notes to Financial Statements – General – Asset Adequacy Analysis, page 30)**

3. **As noted in the prior exam report, it is again recommended that the Company use methodologies and procedures that produce adequate reserves and liabilities for life claims. (Notes to Financial Statements – Contract Claims: Life, page 37)**

CONCLUSION

The following schedule shows a comparison of the results from the December 31, 2014 examination to the December 31, 2012 Annual Statement, with changes between:

Description	**December 31, 2012**	**December 31, 2014**	**Increase (Decrease)**
Assets	$ 128,725,982	$ 136,746,424	$ 8,020,442
Liabilities	$ 74,122,191	$ 65,525,680	$ (8,596,511)
Common capital stock	2,500,000	2,500,000	$ -
Gross paid in and contributed surplus	35,960,036	35,971,736	11,700
Aggregate Write-in for special surplus funds	-	544,923	544,923
Unassigned funds (surplus)	16,143,755	32,204,085	16,060,330
Total Capital and Surplus	54,603,791	71,220,744	16,616,953
Total Liabilities, Capital and Surplus	$ 128,725,982	$ 136,746,424	$ 8,020,442

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, Deloitte & Touche LLP, and the Company's management and staff were appreciated and are acknowledged.

Respectfully submitted,

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