REPORT ON EXAMINATION

OF THE

DELAWARE AMERICAN LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2012

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, 2012 of the

DELAWARE AMERICAN LIFE INSURANCE COMPANY

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

Attest By: Brenda Biddle

Date: November 4, 2013

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 4th day of November, 2013.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

841 Silver Lake Blvd., Dover, DE 19904-2465 • www.delawareinsurance.gov
(302) 674-7300 Dover • (302) 739-5280 fax • (302) 577-5280 Wilmington

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT OF EXAMINATION

OF THE

DELAWARE AMERICAN LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2012

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 4th day of November, 2013

841 Silver Lake Blvd., Dover, DE 19904-2465 • www.delawareinsurance.gov
(302) 674-7300 Dover • (302) 739-5280 fax • (302) 577-5280 Wilmington

TABLE OF CONTENTS

SALUTATION

September 11, 2013

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. 13.001, dated November 2, 2012, 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 600 King 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 of the Company was conducted as of December 31, 2011. This examination covers the period since that date through December 31, 2012, and including any material transactions and/or events noted occurring subsequent to December 31, 2012.

This examination was conducted in accordance with the *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, Deloitte & Touche LLP (D&T), made available for review, all work papers pertinent to its audit of the Company's financial statements for the year ended December 31, 2012. 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 Bonds 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 or 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

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.

Reinsurance

Prior Exam Recommendation:

> **It is recommended that the Company comply with 18 Del. C. §320(c), and maintain / retain all records necessary for the performance of Delaware's tri-annual examinations.**

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

Accounts and Records

Prior Exam Recommendation:

> **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.**

Current Exam Finding: Based on work performed, the Company has complied with the prior exam recommendation related to Uncollected Premiums and Agents' Balances; however, the Company has not fully complied with the prior exam recommendation related to reinsurance. It is noted that as the December 31, 2012 examination was performed immediately after the December 31, 2011 examination, the Company did not have the opportunity to fully comply with the examination recommendations related to reinsurance. However, the examiners were able to confirm that processes and policies are being put into place to address the recommendations noted as of December 31, 2011, in addition to new issues identified as of December 31, 2012. For details regarding current examination findings related to reinsurance, refer to the "Accounts and Records" section of this report, under the caption "Accounts and Records Findings - Reinsurance".

Statutory Deposits

Prior Exam Recommendation:

> **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.**

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

Uncollected premiums and agents' balances in course of collection

Prior Exam Recommendation:

> **It is recommended that the Company properly age agents' balances and determine the Over 90 non-admitted portion in accordance with 18 Del. C. §1101(5).**

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

Aggregate reserves for life contracts

Prior Exam Recommendation:

> **It is 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.**

Current Exam Finding: As the Company's 2012 AOM was issued prior to the issuance of the December 31, 2011 examination report, the Company did not have the opportunity to address the

AOM-related issues. Accordingly, this issue has been rolled forward for the December 31, 2012 examination. Refer to the "Notes to Financial Statements" section of this report, under the caption "Liabilities – General Account – Asset Adequacy Analysis".

Prior Exam Recommendation:

> **It is recommended that the Company correctly determine reserves for unearned premiums for group and credit life contracts.**

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

Contract claims: Accident and health

Prior Exam Recommendation:

> **It is recommended that the Company use methodologies and procedures that produce adequate claim reserves and liabilities for accident and health business.**

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

Contract claims: Life

Prior Exam Recommendation:

> **It is recommended that that the Company use methodologies and procedures that produce adequate reserves and liabilities for life claims.**

Current Exam Finding: Based on work performed, the Company has not fully complied with the prior exam recommendation. It is noted that as the December 31, 2012 examination was performed immediately after the December 31, 2011 examination, the Company did not have the opportunity to fully address the prior examination recommendations. However, the examiners were able to confirm that processes and policies are being put into place to address the recommendation noted as of December 31, 2011, in addition to the issue identified as of December 31, 2012. Refer to details regarding the current examination finding in the "Notes to Financial Statements" section, under the caption "Contract claims – Life".

SUBSEQUENT EVENTS

There were no material subsequent events requiring disclosure in this examination report. Please refer to the summary of recommendations section of this report for current examination findings.

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.

CAPITALIZATION

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. The amount of capital stock with which the company commenced business was $1 million, being 10,000 shares at $100. At December 31, 2012, 25,000 shares were issued and outstanding, resulting in total capital stock of $2,500,000.

At December 31, 2012, all the outstanding shares of the Company’s common stock were owned by the Parent, MetLife, Inc.

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

Dividends

No dividends were paid during the examination period under review.

Surplus Notes

As of December 31, 2012, the Company had no outstanding surplus notes.

Borrowed Money

As of December 31, 2012, the Company had no borrowed money.

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 2012 revealed that the Company had complied with 18 Del. C. §5004 and 18 Del. Admin. Code 1801.

MANAGEMENT AND CONTROL

Stockholders

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 Certificate of Incorporation and bylaws, all corporate powers are exercised by or under the direction of the Board of Directors. The bylaws, as amended and restated as of December 10, 2010, provide that the Company’s business and affairs shall be managed by the Board. 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 serve until his successor shall be elected and shall qualify. Directors need not be stockholders.

At December 31, 2012, the members of the Board of Directors together with their principal business affiliations were as follows:

Name	**Principal Occupation**
Roberto nmn Baron	New York City, NY Senior Vice President, MetLife, Inc.
John Thomas Jordano	New York City, NY Senior Vice President and Senior Actuary, MetLife, Inc.
James Hudson Peiffer (1)	New York City, NY Senior Vice President, MetLife, Inc.

(1) Chairman of the Board of Delaware American Life Insurance Company

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 3, 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, 2012 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.

As of March 31, 2011 the Board had 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 4, Section 1 of the Company's 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, 2012, the Company's principal officers and their respective titles were as follows:

Name	**Principal Occupation**
James Hudson Peiffer	Chairman, President & Chief Executive Officer
Marlene Beverly Debel	Senior Vice President and Treasurer
Peter Martin Carlson	Executive Vice President and Chief Accounting Officer
Isaac nmn Torres	Vice President and Secretary
Roberto nmn Baron	Senior Vice President
Lynn Ann Dumais	Vice President and Controller
John Thomas Jordano	Senior Vice President

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, proper notification was provided to the Delaware Department of Insurance with no exception.

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 Code breaches of which they are aware. 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.

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 disclosure statements was conducted during the examination period without exception.

Articles of Incorporation and bylaws

The Company did not amend its Articles of Incorporation during the exam period; however, the bylaws were amended and restated as of December 10, 2010 to remove the requirement of the election of five (5) directors, and restated to specify the election of three (3) or more directors.

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined in 18 Del. C. §5001(4) “Insurance Holding Company System”. The Company’s Holding Company Registration Statements were timely filed with the Delaware Insurance Department for the years under examination. The immediate parent of the Company at December 31, 2012 was MetLife, Inc. The Company had one subsidiary as of December 31, 2012.

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, 2012:

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 of Connecticut	Connecticut	86.72%
MetLife Investors USA Insurance Company	Delaware	100%
Metropolitan Tower Life Insurance Company	Delaware	100%
SafeGuard Health Enterprises, Inc.	Delaware	100%
Exeter Reassurance Company, Ltd.	Bermuda	100%
MetLife Investors Insurance Company	Missouri	100%
Newbury Insurance Company, Limited	Bermuda	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%
Delaware American Life Insurance Company	**Delaware**	**100%**
GBN, LLC	Delaware	100%
American Life Insurance Company	Delaware	100%
MetLife Investors Group, Inc.	Delaware	100%
MetLife Insurance Company of Connecticut	Connecticut	13.28%

INTERCOMPANY AGREEMENTS

The Company was party to several inter-company 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, 2012. These agreements are summarized as follows:

Master Services and Facilities Agreement

Effective November 1, 2010, the Company entered into a Master Services and Facilities Agreement with ALICO and various other affiliates. This agreement provides for billing of services and the use of facilities between and among the Company, ALICO Home Office, and ALICO affiliates that join the Agreement. A total of $12,408,038 was paid or payable by the Company for services under this agreement for the year ended December 31, 2012.

Master Services Agreement

Effective November 1, 2010, the Company became party to the December 31, 2002 Master Service Agreement with MetLife Insurance Company (MLIC) and certain MLIC non-subsidiary affiliate companies that provides for a broad range of services to be rendered and facilities and equipment to be provided to the Company. Services, facilities and equipment are requested by the recipient as deemed necessary to its operations. The agreement provides that the Company is to pay MLIC a charge equal to all expenses, direct and indirect, reasonably and equitably determined to be attributable to the services, facilities and equipment provided. A total of $21,173 was paid or payable by the Company for services and facilities under this Agreement for the year ended December 31, 2012.

Discretionary Investment Management Agreement

Effective September 24, 2010, the Company entered into a Discretionary Investment Management Agreement with a former affiliate, AIG Asset Management (US), LLC for the purpose of appointing AIG Asset Management (US), LLC as their investment manager, asset manager, its agent and attorney in fact and authorized them to exercise investment discretion with respect to their Portfolio and to execute and deliver all documentation on the Company's behalf in each case necessary to facilitate investment in securities for the Company's portfolio as of the effective date.

Assignment and Assumption Agreements

Effective November 1, 2010, the Company became party to an Assignment and Assumption agreement with AIG Asset Management (US), LLC and MetLife Investment Advisors Company, LLC (n/k/a MetLife Investment Management, LLC). The Agreement provides that MetLife Investment Management, LLC assumes all of the rights, title, interests, obligations and liabilities of AIG Asset Management (US), LLC under the September 24, 2010 Discretionary Investment Management Agreement. A total of $63,687 was paid or payable by the Company for services under this Agreement for the year ended December 31, 2012.

Common Paymaster Agreement

Effective November 1, 2010, the Company entered into a Common Paymaster Agreement with MetLife International Holdings, Inc. (MIHI) and ALICO. This agreement provides for the payment of services and facilities provided to the Company by MetLife Group employees. A total of $0 was paid or payable by the Company for services and facilities under this Agreement for the year ended December 31, 2012.

Personnel Services Agreement

Effective November 1, 2010, the Company entered into a Services (Personnel) Agreement with MetLife Group, Inc. (MLG). Under this agreement, MLG agrees to provide personnel upon the request of the Company and as deemed necessary for its operations. The agreement provides that the Company is to pay MLG a charge equal to all expenses, direct and indirect, reasonably and equitably determined to be attributable to the service provided. A total of $7,861 was paid or payable by the Company for services and facilities under this Agreement for the year ended December 31, 2012.

Metropolitan Money Market Pool (MMMP) Restated Partnership Agreement

Effective July 11, 2011, the Company became a member partner of the MMMP that was originally established by MLIC on September 30, 1999. The MMMP was formed as a New York general partnership consisting of certain affiliates of MLIC and managed by MLIC. Current participants are MLIC and certain of its affiliates including the Company. The MMMP's exclusive purpose is to pool, invest and reinvest the cash and other liquid assets of the participating general partners to achieve liquidity, safety of principal and commensurate investment yield by investing solely in investments which fall under the definitions of "short-term" investments in the *NAIC Accounting Practices Procedures Manual for Life and Accident and Health Insurance Companies*, as in effect from time to time. Although for economic and administrative convenience, the MMMP holds title to the securities in its portfolio, in reality, the MMMP is a pass-through vehicle. Thus, each general partner's investments through the MMMP represent such general partner's pro rata ownership interest in the pooled securities. The book value of the Company's ownership interests in the pooled money market securities held by the MMMP as of December 31, 2012 was $6,463,145.

Service Agreement – Mexico

Effective February 9, 2012, the Company and MetLife Mexico S.A. entered into a Service Agreement whereby MetLife Mexico S.A. provides administrative services to the Company with respect to the Company's insureds in Mexico who are covered under a group insurance policy issued by the Company to cover an employer's expatriate employees and their eligible dependents. A total of $19,794 was paid or payable by the Company under this agreement for the year ended December 31, 2012.

Service Agreement – ALICO Gulf

Prior to December 31, 2012, 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 the Company's 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 claim processing, claims data file handling and customer service with respect to claims inquiries. A total of $103,528 was paid or payable by the Company under this agreement for the year ended December 31, 2012. A formal written agreement was entered into between the Company and ALICO Gulf effective January 1, 2013.

Administrative Services Agreement

Effective June 1, 2012, the Company and Amcico Pojistovna A.S. (Amcico) entered into an Administrative Services Agreement whereby the Company provides administrative services to Amcico with respect to Amcico insureds who are covered under a group insurance policy issued by Amcico 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, and (iii) customer service, including customer complaints and inquiries. The amount paid or payable to the Company under this agreement for the year ended December 31, 2012 was $1,121.

Tax Sharing Agreement

Effective November 1, 2010, the Company became party to the Consolidated Tax Allocation Agreement with MLIC and other affiliated companies, originally effective January 1, 1985 and as amended. Under terms of the agreement, the Federal income tax provision is computed on a separate return basis and provides that the members of the consolidated group shall receive reimbursement to the extent that their losses and other credits result in a reduction of the consolidated tax liability. Affiliates considered ineligible companies, as they have not met the five-year membership period eligibility test for life/non-life consolidated purposes, will not have their tax losses currently utilized by life members. The apportionment of tax liability is in compliance with Section 1552 (a) of the Internal Revenue Code. Pursuant to the tax allocation arrangement for the year 2012, net payables by the Company were $5,733,499.

Guarantees and Indemnities

At December 31, 2012, the Company's aggregate compilation of guarantee obligations was $0.

It was noted that the agreements with MetLife Mexico ("Service Agreement – Mexico"), ALICO Gulf ("Service Agreement – ALICO Gulf") and Amcico Pojistovna A.S. ("Administrative Services") were entered into prior to receiving approval from the Department in accordance with 18 Del. C. §5005(a)(2)(d), which states in part,

> "(a) Transactions within a holding company system. –
> (2) The following transactions involving a domestic insurer and any person in its holding company system may not be entered into unless the insurer has notified the Commissioner in writing of its intention to enter into such transaction at least 30 days prior thereto, or such shorter period as the Commissioner may permit, and the Commissioner has not disapproved it within such period:
> (d) All management agreements, service contracts and all cost-sharing arrangements"

Therefore,

> **It is 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.**

It was noted that Form D filings were submitted to the Department on June 18, 2013 for the MetLife Mexico and Amcico Pojistovna A.S. agreements, and on July 26, 2013 for the ALICO Gulf agreement.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2012, the Company was licensed in the District of Columbia and all states except Minnesota, New Hampshire, New Mexico, New York and North Carolina. In 2013 the company became licensed in New York (effective January 1, 2013), North Carolina (effective February 4, 2013) and New Hampshire (effective March 14, 2013). The Company is currently in the process of becoming licensed in Minnesota. The Company's license in New Mexico expired on March 1, 2011 due to an administrative anomaly; however, the Company is currently in the process of renewing this license. 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, 2012, approximately 96.8% of direct premium was produced outside of the U.S.

The geographical breakdown of direct written premiums as of December 31, 2011 was: Aggregate Other Alien, $52,362,582 (96.86%); Florida, $209,470 (0.39%); Pennsylvania, $160,295 (0.29%); California, $155,512 (0.29%); Michigan, $136,705 (0.25%); New Jersey, $98,388 (0.18); other jurisdictions, $936,754 (1.73%).

The Company's operations consist of two components (1) assumed reinsurance primarily from ALICO, which is reported within MetLife's International segment, and (2) expatriate business, which is reported within the MetLife's Banking, Corporate & Other segment.

International provides life insurance, accident and health insurance, credit insurance, annuities, endowment, and retirement and savings products to both individuals and groups. MetLife focuses on markets primarily within Japan, Latin America, Asia Pacific, Europe and the Middle East. MetLife operates in international markets through subsidiaries and affiliates. Specific risk factors exist that are associated with MetLife's international business. Geographically, the Company's operations fall under the Middle East region.

Banking, Corporate & Other contains excess capital not allocated to the segments, various domestic and international start-up entities and run-off business. Banking, Corporate & Other also includes the elimination of intersegment amounts, which generally relate to loans.

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, Delaware. The Expatriate Unit (in Wilmington, Delaware) 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, Delaware, 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 5 years, the Expatriate Unit has selected a collection of 7 Third Party Administrators (TPAs) 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, provider customer assistance and pay claims on behalf of the Company's policy.

A summary of premiums and annuity considerations for 2012 is described as follows:

	Ordinary Life Insurance	Credit Life (Group and Individual)	Group Life Insurance	Accident and Health Group	Other	Total
Direct	$ 1,726,212	$ -	$ 11,282,254	$ 41,756,379	$ -	$ 54,764,855
Reinsurance Assumed	9,365,688	177,991	5,947,483	2,967,796	10,768,160	29,254,118
Reinsurance Ceded	2,866,937	12,572	(70,938)	4,839,725	251,868	7,900,165
Net Premiums Written	$ 8,224,963	$ 165,419	$ 17,300,675	$ 39,884,450	$ 10,516,292	$ 76,118,808

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, 2012.

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	Premiums and Annuity Considerations	Deposit-Type Funds	Net Income / (Loss)
2012	$128,725,982	$74,122,191	$54,603,791	$76,118,808	$ 0	$ 7,688,282
2011	135,816,257	84,462,602	51,353,655	72,441,303	0	12,612,209
2010	86,090,789	56,673,576	29,417,213	72,695,274	0	6,464,830
2009	65,310,684	39,430,483	25,880,201	(5,759,499)	0	2,683,055
2008	83,875,509	56,562,948	27,312,561	26,587,503	3,449,300	2,281,042

*Schedule does not include adjustments as a result of the prior or current examinations

Since year-end 2008, net admitted assets have increased by $44.9 million or 53.5% while total liabilities increased by $17.6 million or 31.0%. In December 2009, the Company entered into a reinsurance agreement with ALICO to assume certain blocks of Group Life/AD&D, Medical/Dental and LTD business. As a result of this transaction, reinsurance balances increased $20 million from 2009 to 2010 and total liabilities increased $18 million from 2009 to 2010.

At December 31, 2012, the Company's capital and surplus was $55 million, comprised of $2 million in common stock and $53 million of surplus. Capital and surplus increased $4 million from December 31, 2011 primarily due to a net gain from operations of $8 million, partially offset by a decrease in net deferred tax assets of $1 million and an increase in the liability for unauthorized reinsurers of $3 million.

Premiums and annuity considerations increased $4 million to $76 million for the year ended December 31, 2012, from $72 million for the year ended December 31, 2011. This fluctuation was primarily comprised of an increase in direct group accident and health (A&H) business of $3 million, a decrease in ceded life business of $8 million and a decrease in ceded A&H business of $3 million, partially offset by a decrease in assumed life business of $5 million and a decrease in assumed A&H business of $5 million.

During 2012, direct group A&H premiums increased as a result of growing expatriate business and ceded premiums decreased as a result of the termination of the Hannover Ruckversicherung AG (Hannover) and Munich American Reassurance Company (Munich) treaties. These increases were partially offset by a reduction in assumed business from ALICO.

The increase from 2009 to 2010 is attributed to the Company entering into a reinsurance agreement with ALICO to assume certain blocks of Group Life/AD&D, Medical/Dental and LTD business as noted previously. Assumed premiums related to the reinsurance agreement were approximately $45 million and $10 million for 2010 and 2009, respectively. In 2009, the Company entered into a reinsurance agreement with American General Life Insurance Company of Delaware (AG Life) ceding 100% of its existing blocks of Ordinary and Individual Annuity business to AG Life, which negatively affected net written premiums by approximately $34 million.

The Company's net income decreased $5 million to $8 million for the year ended December 31, 2012, from $13 million for the year ended December 31, 2011. This decrease was primarily due to increased benefit payments, partially offset by a decrease in commissions on both reinsurance ceded and assumed. The increase in benefit payments is due to increased incurred but not reported reserves and higher claims. The decreases in commissions are due to treaty terminations and a reduction in reinsurance premium levels.

The improvement from 2009 to 2010 of $3 million was primarily due to the assumed business from ALICO and improved experience on the Group Life business. The improvement from 2010 to 2011 was mainly attributable to a $7 million increase in gains from operations before Federal income tax, resulting primarily from decreased benefit payments and decreased changes to reserves, partially offset by an increase in commissions on both reinsurance ceded and assumed. The increases in commissions were due to treaty amendments restating the commission percentages.

LOSS EXPERIENCE

Reserves and contract claims as of December 31, 2012 and December 31, 2011 were as follows:

	Aggr. Reserves for Life Contracts	Aggr. Reserves for Accident and Health Contracts	Contract Claims: Life	Contract Claims: Accident and Health
December 31, 2012	$1,594,320	$ 8,794,635	$18,955,924	$ 20,181,346
December 31, 2011	725,304	13,043,538	14,224,061	9,517,141
Increase (Decrease)	$ 869,016	$ (4,248,903)	$ 4,731,863	$ 10,664,205

The overall increase of 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 2012, the Company reported the following distribution of net premiums written:

Direct business	$54,764,855
Reinsurance assumed (from affiliates)	27,133,907
Reinsurance assumed (from non-affiliates)	2,120,211
Total direct and assumed	$84,018,973
Reinsurance ceded (to affiliates)	(215,144)
Reinsurance ceded to (non-affiliates)	(7,685,019)
Net premiums written	$76,118,810

The Company had the following reinsurance programs and agreements in effect as of December 31, 2012:

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.

<u>Assumed</u>

The Company currently assumes traditional reinsurance from ALICO branches which was formally assumed by American International Reinsurance Company Ltd. (AIRCO), an AIG affiliate entity. The Company also assumes catastrophe reinsurance from ALICO.

<u>Ceded</u>

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.

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 accounts and records are maintained in Wilmington, Delaware; Tampa, Florida; and Bridgewater, New Jersey. The Company utilizes mainframe, AS/400, and Windows based operating systems to process data. The Company's utilizes MetLife's data center Rensselaer (RISC) located in Troy, New York for processing, updating, and storing the primary records and the Scranton Information System Center in Scranton, Pennsylvania for redundant data processing for backup and disaster recovery purposes.

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 reviewed the internal control structure in order to establish the necessary audit procedures required to express an opinion on the December 31, 2012 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 MetLife's Internal Audit Department.

Based on the examination review of the filed Annual Statements, observations, and subsequent discussions with management, the accounting system and procedures generally conformed to insurance accounting practices and requirements.

Accounts and Records Findings

The following findings, recommendations and comments were noted during the examination and pertain to the Company's overall level of records maintenance and filed Annual Statement:

Reinsurance

With regards to the filed 2012 Annual Statement, several presentation discrepancies were noted within Reinsurance. These discrepancies included the following financial and non-financial items:

- The Company reported assumed reinsurance in the 2012 Schedule S – Part 1 – Section 1 from a ceding company in error as there was no valid reinsurance contract between the Company and the listed ceding company. The amounts reported at December 31, 2012 were immaterial. The Company reported a reinsurance contract as assumed in the 2012 Schedule S - Part 1 - Section 2 in error as the amount reported was generated from a ceded reinsurance contract, which should be reported on Schedule 2 – Part 3 – Section 2. Additionally, the Company reported the reinsurance contract with an incorrect effective date. *NAIC Annual Statement Instructions* require that the effective date used in Schedule S be the date the contract originally went into effect.
- The Company reported ceded reinsurance to affiliates in the 2012 Schedule S - Part 3 in error as the amounts were generated from affiliated assumed reinsurance contracts, with no cessions made to affiliates under the contracts.

- The Company reported a reinsurance contract as ceded in the 2012 Schedule S - Part 3 - Section 2 in error as the amount reported was generated under an assumed reinsurance contract, which should be reported on Schedule S – Part 1 – Section 2.
- The Company reported both assumed and ceded reinsurance agreements in the 2012 Schedule S - Part 1 and Schedule S – Part 3 with incorrect effective dates. A reconciliation of the reported Schedule S - Part 1 to actual assumed reinsurance contracts identified 64 out of 103 (or 62%) individually reported lines of assumed reinsurance were reported with incorrect effective dates (of which 4 also had an incorrect reinsured company name). A reconciliation of the reported Schedule S - Part 3 to actual ceded reinsurance contracts identified 25 out of 179 (or 14%) individually reported lines of ceded reinsurance were reported 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 issue was likewise noted in the prior 2011 examination.
- The Company reported ceded reinsurance under two treaties to a particular reinsurer in the 2012 Schedule S – Part 3 in error as the reinsurer was not party to either agreement. It was further disclosed that while no amounts were ceded under one treaty, the Company had erroneously ceded amounts under the other treaty.
- The Company reported ceded reinsurance under a particular reinsurance agreement in the 2012 Schedule S - Part 3, and took an immaterial amount of reserve credits, in error. Correspondence from Management confirmed that the Company was not a party the agreement, nor was there a service agreement whereby the Company would become a party to the reinsurance transaction.

- The Company reported a ceded reinsurance agreement in Schedule S with an incorrect reinsurer name.

The findings identified above represent noncompliance 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.**

In addition to the above findings, a review of reinsurance contracts entered into during the examination period identified two reinsurance contracts that were in noncompliance with 18 Del. Admin. Code 1002 (5.3.1), which states,

> "5.3.1 The agreement shall constitute the entire agreement between the parties with respect to the business being reinsured thereunder and that there are no understanding between the parties other than as expressed in the agreement,"

one of which was also in noncompliance with 18 Del. Admin. Code 1003 (14.1.1), which states,

> "14.1.1 Includes a proper insolvency clause, which stipulates that reinsurance is payable directly to the liquidator or successor without diminution regardless of the status of the ceding company, pursuant to Chapter 59 of the Insurance Code."

Therefore,

It is 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.

Independent Accountants

The Company's financial statements are audited each year by the firm D&T, of Philadelphia, Pennsylvania. The examiners reviewed the audited statutory financial statements for all years under examination. For all years under review, D&T issued an unqualified opinion. The examiners reviewed D&T's 2012 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 Paul S. Bell, FSA, MAAA, 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			$121,448	$178,184
Delaware	$364,343	$534,491		
Georgia			97,158	142,531
New Mexico			48,579	71,266
Virginia			218,606	320,695
TOTAL DEPOSITS	$364,343	$534,491	$485,791	$712,676

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2012, 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

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 Account
Assets
As of December 31, 2012

	Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	$ 76,359,018	$	$ 76,359,018	
Cash, cash equivalents and short-term investments	13,931,296		13,931,296	
Other invested assets	6,463,145		6,463,145	
Receivables for securities	3,969		3,969	
Investment income due and accrued	776,647		776,647	
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	29,500,606	412,641	29,087,965	
Reinsurance:				
Amounts recoverable from reinsurers	674,654		674,654	
Other amounts receivable under reinsurance contracts	275,897		275,897	
Net deferred tax asset	3,613,130	2,759,261	853,869	
Guaranty funds receivable or on deposit	51,035		51,035	
Receivable from parent, subsidiairies and affiliates	248,487		248,487	
Total assets excluding Separate Accounts	$ 131,897,884	$ 3,171,902	$ 128,725,982	
From Separate Accounts		-	-	
Total	$ 131,897,884	$ 3,171,902	$ 128,725,982	

Liabilities, Surplus and Other Funds
As of December 31, 2012

Liabilities, Surplus and Other Funds

			Notes
Aggregate reserves for life contracts	$	1,594,320	1
Aggregate reserves for accident and health contracts		8,794,635	2
Liability for deposit type contracts		-	3
Contract claims:			
Life		18,955,924	4
Accident and health		20,181,346	5
Premiums and annuity considerations for life and accident and health contracts received in advance		636,368	
Contract liabilities not included elsewhere:			
Provision for experience rating refunds		2,002,648	
Other amounts payable on reinsurance		4,295,083	
Interest maintenance reserve		640,889	
Commissions to agents due or accrued		222,067	
Commissions and expense allowances payable on reinsurance assumed		4,799,912	
General expenses due or accrued		183,835	
Taxes, licenses and fees		88,011	
Current federal and foreign income taxes		1,381,126	
Remittances and items not allocated		2,429,038	
Miscellaneous liabilities:			
Asset valuation reserve		369,123	
Reinsurance in unauthorized companies		5,710,382	
Payable to parent, subsidiaires and affiliates		1,603,847	
Aggregate write-ins for liabilities		233,637	
Total liabilities excluding Separate Accounts	$	74,122,191	
From Separate Accounts Statement		-	
Total Liabilities	$	74,122,191	
Common capital stock		2,500,000	
Gross paid-in and contributed surplus		35,960,036	
Unassigned funds		16,143,755	
Surplus	$	54,603,791	
Total Liabilities, Capital and Surplus	$	128,725,982	

Summary of Operations
As of December 31, 2012

Premiums and annuity considerations for life and accident and health contracts	$	76,118,808
Net investment income		3,232,151
Amortization of Interest Maintenance Reserve		170,476
Commissions and expense allowances on reinsurance ceded		(902,736)
Totals	$	78,618,699
Death benefits	$	8,203,091
Disability benefits and benefits under accident and health contracts		38,054,230
Increase in aggregate reserves for life and accident and health contracts		(3,371,247)
Totals	$	42,886,074
Commissions on premiums, annuity considerations and deposit-type contracts funds		2,557,656
Commissions and expense allowances on reinsurance assumed		8,844,462
General insurance expenses		12,528,087
Insurance taxes, licenses and fees, excluding federal income taxes		209,335
Totals	$	67,025,614
Net gain from operations before dividends to policyholders and federal income taxes	$	11,593,085
Dividend to policyholders		-
Net gain from operations after dividends to policyholders and before federal income taxes		11,593,085
Federal and foreign income taxes incurred		3,981,820
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains (losses)		7,611,265
Net realized capital gains (losses)		77,017
Net Income	$	7,688,282

Capital and Surplus Account
As of December 31, 2012

Capital and surplus, December 31, prior year	$	51,353,655
Net income (Loss)		7,688,282
Change in net unrealized capital gains or (losses) less capital gains tax less capital gains tax of $(13,015)		13,015
Change in net unrealized foreign exchange capital gain (loss)		(37,127)
Change in net deferred income tax		(1,298,536)
Change in nonadmitted assets		(146,760)
Change in liability for reinsurance in unauthorized companies		(3,233,689)
Change in asset valuation reserve		(86,581)
Cummulative effect of changes in accounting principles		351,532
Suplus (contributed to) withdrawn from Separate Accounts during period		0
Surplus adjustment		
Change in surplus as a result of reinsurance		0
Dividends to stockholders		0
Aggregate write-ins for gains and losses in surplus		0
Net change in capital and surplus for the year		3,250,136
Change as a result of December 31, 2012 examination		0
Capital and surplus, December 31, current year	$	54,603,791

Reconciliation of Capital and Surplus
From December 31, 2007 to December 31, 2012

Capital and Surplus, December 31, 2007		$ 26,316,775
Net income		31,729,418
Additions:		
Change in net unrealized capital gains (losses) less capital gains tax of $ (13,015)	13,015	
Change in net unrealized foreign exchange capital gain (loss)	134,412	
Change in net deferred income tax	2,934,805	
Change in reserve on account of change in valuation basis	373,000	
Cummulative effect of changes in accounting principles	351,532	
Surplus adjustment: Paid-in	4,006	
Aggregate write-ins for gains and losses in surplus	1,022,811	
Total Additions		4,833,581
Deductions		
Change in liability for reinsurance in unauthorized companies	(5,701,742)	
Change in non-admitted assets	(2,378,666)	
Change in asset valuation reserve	(195,576)	
Total Deductions		(8,275,984)
Capital and Surplus, December 31, 2012		$ 54,603,791

SCHEDULE OF EXAMINATION ADJUSTMENTS

There were no examination adjustments.

NOTES TO FINANCIAL STATEMENTS

Assets – General Account

No financial adjustments noted.

Liabilities – General Account

General

As of December 31, 2012, the Company held General Account (GA) reserves primarily for individual and group life insurance, immediate annuities and group accident & health insurance. The Company's business is 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 (AGLICD).
2. Expatriate benefits issued under group contracts which insure U.S. citizens while living and working in another country.
3. Assumed reinsurance business from ALICO. This affiliate reinsurance 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 which 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.

Certificate of Reserve Valuation

As part of the annual certificate of reserve valuation procedure conducted for the Delaware Insurance Department, the Consulting Actuary reviewed the reserves and liabilities reported in Exhibits 5 and 7 of the Company's December 31, 2012 GA Annual Statement. During that process, the Company's work papers supporting these reserves and liabilities were reviewed and found to be in order. The Consulting Actuary reconciliation work from that procedure has been relied upon for the current examination.

Data Validity / Inclusion Testing / Sampling

The Consulting Actuary relied on the work of the financial examiners (the "examiners") who conducted interviews with senior management and conducted reviews of the Company's internal and independent auditor work papers. A review of the controls that were considered significant was conducted by the examiners.

As previously noted in the "Scope of Examination" section of this report, a financial examination of the Company was conducted as of December 31, 2011. In the course of that examination, it was discovered that certain reserve and liability items were understated due to a lack of sufficient controls over the reserving process. Although a comprehensive evaluation and testing of design and operating effectiveness of controls was not performed, the Consulting Actuary initially determined that effective controls did not exist and that the control environment was weak based on the apparent insufficiencies of reserves and liabilities revealed during the prior examination. As a result of the foregoing, the calculated residual risk remained the same as inherent risk, and appropriate substantive procedures were performed.

The Consulting Actuary placed considerable reliance on the testing conducted during the prior examination where samples of policies from the Company's valuation files were used to test the validity of valuation data. These policy sample tests indicated a general absence of errors in the underlying data used for valuation. Based on the inclusion testing conducted during the prior examination, the Consulting Actuary concluded that the valuation extract files are generally complete.

Reserve Analysis

Reserves were reviewed for compliance with standard valuation laws, applicable NAIC Actuarial Guidelines and Model Regulations. Reserve trend analyses were also performed and generally produced reasonable results.

The Consulting Actuary identified the risks related to reserve determination procedures and methodologies associated with each product segment and certain product types within the product segments. For each product segment, examination procedures were performed by the Consulting Actuary depending on the residual risk assessments as determined by the Consulting Actuary. The Consulting Actuary determined the underlying inherent risks for each segment and concluded that the focus should be on the products with features that created the greatest risk for the Company. The Consulting Actuary's examination procedures called for sample reserve calculations, where appropriate, and reserves for sample contracts were recalculated by the Consulting Actuary in accordance with standard actuarial practice. The Consulting Actuary concluded that sample reserve testing was not warranted for certain product groups and liability items. For these items, the Consulting Actuary relied on general analyses and/or a review of the trend analysis.

Asset Adequacy Analysis

The examination included a review of the asset adequacy testing (AAT) conducted as required by the Actuarial Opinion Memorandum Regulation (AOMR) for 2012. As a result of the AAT analysis performed, the Company's appointed actuary concluded that no additional AAT reserves were required as of December 31, 2012. Based on the Consulting Actuary's review, this conclusion has been accepted by the Consulting Actuary subject to the following recommendation:

As noted in the prior exam report, it is again recommended that future Actuarial Opinion Memorandums (AOM) should:

i. Contain product descriptions, including market, underwriting and other aspects of a risk profile for all products 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.

Reinsurance

The examiners conducted a review of all significant reinsurance treaties, and obtained and reviewed the independent auditors' test work of reinsurance recoverables. No concerns were identified. The Consulting Actuary relied on the examiners' review of reinsurance agreements for compliance with 18 Del. Admin. Code 1002, which indicated that the agreements in place transferred risk. The Consulting Actuary reconciled reinsurance ceded reserves to the Annual Statement Schedule S, and concluded that the reserves reported in Schedule S for the reinsurance treaties were reasonable.

Summary

The balance sheet items enumerated in the examination scope appear 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 appear to be complete.

Based on the above discussion and analysis, the Consulting Actuary concluded that the December 31, 2012 balance sheet items covered in this actuarial examination are accepted as stated.

(1) Aggregate reserves for life contracts ($1,594,320)

The above-captioned amount, which is the same as that reported by the Company in its 2012 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	$25,492,894	$24,276,062	$1,216,832
Annuities	8,179,991	8,179,991	0
Accidental Death Benefits	29,672	20,760	8,912
Disability - Active Lives	11,192	11,192	0
Disability - Disabled Lives	1,434,324	1,065,749	368,575
Miscellaneous Reserves	75,163	75,163	0
Totals	$35,223,236	$33,628,917	$1,594,319

An analysis of the individual components comprising this liability was performed by the Consulting Actuary. The analysis included a review of various supporting documentation prepared by the Company, actuarial analysis, and a review of the Company's reserving methodologies as of December 31, 2012.

The aggregate reserve is 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, 2012 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 2012. Where appropriate, samples of contracts were selected from the valuation systems for reserve testing.

The primary risks associated with Exhibit 5 business are adverse mortality, asset default, interest rate volatility and mismatching of asset and liability cash flows. These risks were further reviewed by evaluating the 2012 AOM. Based on that review, the Consulting Actuary accepted the Company's conclusion that additional reserves as a result of AAT were not required.

Review of reserves was performed through a combination of trend analysis, review of various supporting documentation prepared by the Company, actuarial analysis, and verification of underlying data for a sample of contracts. No exceptions were noted in performing data validation or inclusion testing. Based on these results, the Consulting Actuary concluded that the valuation data for life and annuity contracts is substantially free of any material error that would affect reserve calculations.

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, 2012 Annual Statement appears fairly stated, and has been accepted for examination purposes.

(2) Aggregate reserve for accident and health contracts ($8,794,635)

The above-captioned amount, which is the same as that reported by the Company in its 2012 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	$ 8,872,145	$ 77,510	$8,794,635
Claim Reserve	6,855,247	6,855,247	0
Totals	$15,727,392	$6,932,757	$8,794,635

An analysis of the individual components comprising this liability was performed by the Consulting Actuary. The analysis included a review of various supporting documentation prepared by the Company, actuarial analysis, and a review of the Company's reserving methodologies as of December 31, 2012.

Unearned Premium Reserve

The unearned premium reserve (UPR) represents the aggregate of all unearned portion of gross premiums received based on all model premiums in force. The net UPR reported by the Company consists of direct, assumed and ceded business.

Direct business consists of both a small, older block of miscellaneous A&H policies and the expatriate business. The expatriate business consists of benefits issued under group contracts which insure U.S. citizens while living and working in another country.

The largest portion of the assumed UPR is established for reinsurance business from ALICO. UPR has few complicated reserving issues. A comparison was performed of the reserve assumed by the Company totaling $8,240,098, as reported in Schedule S - Part 1 - Section 2, to the reserve ceded as reported by ALICO in their Schedule S - Part 3 - Section 2. The two amounts differed by approximately $280,000. The examiners discussed the differences with the Company, which indicated that the primary contributing factor for the noted differences is the fact that the Company and ALICO are on different fiscal calendars (ALICO runs December 1 through November 30) as well as the time lag in reporting from ALICO's international branches. The explanations were accepted as reasonable, the difference was considered to be immaterial and no further examination work was deemed necessary. The Assumed from ALICO UPR has been accepted as stated.

A trend analysis of the UPR was performed over the examination period. The trend has been relatively stable over this period and the Consulting Actuary concluded that the trend appears reasonable. UPR reserves were accepted as reported by the Company.

Claim Reserve

The net claim reserve reported by the Company consists of direct, assumed and ceded business.

Direct claim reserves are established for a small, older block of assumed miscellaneous group A&H policies and the expatriate products which consist of long term disability (LTD) and medical. The Company's medical product segment includes medical, prescription, dental and vision benefits.

Claim reserves are established for open claims for the LTD business. LTD claim reserves are 100% ceded and the Company does not retain any of the associated risk. Due to the large amount of reserves associated with this business, and the fact that the LTD business continues to be sold, the Consulting Actuary performed sample testing.

For the prior examination conducted in 2011, the Consulting Actuary selected a judgmental sample of three LTD claims for data validity and reserve testing. The Consulting Actuary had verified the claim reserves for the sample LTD policies without exception. For the 2012 examination, the Consulting Actuary selected a sample from the 2012 valuation files consisting of two of the previous year's samples and one new claim. The Consulting Actuary calculated the claim reserves for the sample LTD policies. The Consulting Actuary noted that the Company used an incorrect valuation rate in determining the reserve for the claim that was incurred in 2012, which resulted in a reported reserve lower than minimum statutory requirements. It appears that the Company does not update the statutory valuation rate which is subject to change each calendar year. Since the reserves for LTD claims are 100% ceded, net reserves are unaffected and no financial adjustment is necessary; however, the Consulting

Actuary recommends that the Company use the correct valuation interest rates for determining LTD claim reserves. Therefore,

It is recommended that the Company,

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

ii. Prepare work papers for incurred but not reported (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.

The overall claim liability was reviewed for reasonableness using the claim liability adequacy test from Schedule H of the Annual Statement as also discussed in under the caption "L4.2 – Contract claims: Accident and health" in this section of this report.

Assumed business dates back to a reinsurance treaty with an effective date in 1998. A trend analysis of the reserves indicated a reasonable pattern over the examination period. Due to the minimal amounts of the assumed reserves, no further examination work was deemed necessary by the Consulting Actuary, and the claim reserves for the assumed business have been accepted as stated.

A trend analysis of the claim reserves was performed over the examination period. There was a significant decrease in 2012 which resulted from the claim reserves associated with the expatriate business (which were approximately $3.7 million in 2011) being shifted from Exhibit 6 to Exhibit 8. This is further discussed under the caption "L4.2 – Contract claims: Accident and health" in this section of this report. The Consulting Actuary concluded that the trends appear reasonable.

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, 2012 Annual Statement appears fairly stated, and has been accepted for examination purposes.

(3) Liability for deposit-type contracts ($0)

The above-captioned amount, which is the same as that reported by the Company in its 2012 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	$ 2,399,784	$ 2,399,784	$ 0

The amount reported on Page 3, Line 3 and in Exhibit 7 is part of the closed block administered by, and 100% reinsured to AGLDE. This liability represents 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, 2012 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 generally produced reasonable results.

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.

For the prior examination conducted in 2011, the Consulting Actuary selected a sample of three annuities certain contracts for data validity and liability testing. The Consulting Actuary had verified liabilities for each of the sample contracts without exception. Since this procedure did not indicate any concerns and since reserves are 100% reinsured, the Consulting Actuary did not see a need to perform sample calculations for the 2012 examination.

Based on the above discussion and analysis, the Consulting Actuary concluded that the liability for deposit-type contracts as reported on Page 3, Line 3 and in Exhibit 7 of the December 31, 2012 Annual Statement appears fairly stated, and has been accepted for examination purposes.

(4) Contract claims - Life ($18,955,924)

The above-captioned amount, which is the same as that reported by the Company in its 2012 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	$ 6,849,029	$564,691	$6,284,338
In course of settlement (ICOS)	6,178,804	364,362	5,814,442
Incurred but unreported (IBNR)	7,850,076	992,932	6,857,144
Totals	$20,877,909	$1,921,985	$18,955,924

The Due and Unpaid and ICOS liabilities have few complicated reserving issues and the liability amounts are 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. A trend analysis of the Exhibit 8 Contract claims: Life liability generally produced reasonable results.

The due and unpaid and ICOS liabilities are inventory items which do not involve actuarial judgment.

The IBNR liability represents the estimate of all claims incurred prior to January 1, 2012 but not reported to the Company as of December 31, 2012. The Consulting Actuary performed an analysis of the life insurance 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 2012. Based on this analysis, the Consulting Actuary concluded that the methods used by the Company to determine the life insurance IBNR produce reasonable results and that the IBNR liability for life insurance on December 31, 2012 was sufficient. No further examination work was deemed necessary, and the liability was accepted as stated.

The Consulting Actuary reconciled the Contract claims life ceded liability of $1,921,985 to the amount reported on line 0799999 of Schedule S-Part 2 (reinsurance recoverable and paid and unpaid losses) in the December 31, 2012 Annual Statement. According to the Annual Statement instructions, the two amounts should be identical. However, the Consulting Actuary noted that the amount reported on Schedule S - Part 2 was $1,997,785, which was $75,800 greater than the amount reported in Exhibit 8 on account of life products. The Consulting Actuary also noted that there was a similar difference associated between the amount reported in Exhibit 8 on account of accident and health products and the amount reported on Schedule S - Part 2, which was $75,800 less than the amount reported in Exhibit 8. As the two differences net to zero, and the total amounts reported were correct, the Consulting Actuary did not investigate this further.

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 of the December 31, 2012 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 an immaterial 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 ($20,181,346)

The above-captioned amount, which is the same as that reported by the Company in its 2012 Annual Statement, is reported on Page 3, Line 4.2 and in Exhibit 8, Part 1, columns 9 through 12. The liability breakdown by type is as follows:

Liability Type	Total Gross	Reinsurance Ceded	Total Net
Due and Unpaid(1)	$ 4,437,401	$76,800	$ 4,360,601
In course of settlement (ICOS)(1)	4,006,686	2,000	4,004,686
Incurred but unreported (IBNR)(2)	16,025,268	4,209,209	11,816,059
Totals	$24,469,355	$4,288,009	$20,181,346

(1) Represents amounts assumed from ALICO.
(2) Total IBNR is broken into the following product segments: Assumed from ALICO, Expatriate Medical, Expatriate LTD, and Legacy Block.

The Consulting Actuary reviewed the Company's work papers supporting the above amounts. The liabilities were reconciled from the summary work papers to Exhibit 8.

The largest portion of the Contract claims: Accident and health liability is established for reinsurance business from an affiliated company, ALICO. The due and unpaid and ICOS items are inventory items which do not involve actuarial judgment and have been accepted as stated. The Consulting Actuary reviewed summary reconciliation work papers provided by ALICO in support of the ICOS liability and found them to be in order.

INS reviewed summary reconciliation work papers provided by the Company in support of the Assumed from ALICO – IBNR liability. In the Consulting Actuary opinion, these work papers did not provide adequate descriptions of the procedures and methods used to determine the IBNR as reported in the Annual Statement. However, in subsequent conversations with the Company's actuaries, the Consulting Actuary was able to determine that IBNR levels for the business assumed from ALICO were reasonable.

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 is determined by applying a percentage of 17.6% to annual earned premium. Claim triangles for Expatriate Medical benefits paid through June 2013 were provided by the Company. The Consulting Actuary performed a retrospective calculation of the IBNR liability as of December 31, 2012 using actual claims reported through June 2013 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's calculated liability of approximately $5.2 million was approximately 70% of the Company's corresponding year end liability of $7.4 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 $7,354,185 was sufficient.

The IBNR for the Expatriate LTD business is determined by applying an expected loss ratio to annual earned premium for each policy and then summed over all policies. The result is approximately 25% of the claim reserve reported in Exhibit 6. The Consulting Actuary concluded that the methodologies and results were reasonable.

The Company's Schedule H – Accident and Health Exhibit as reported in the Annual Statements for years 2011 through 2012 was used as a measure of the adequacy of the claim liability for the prior years under examination. The liabilities established in the year 2010 were found to be adequate; however, the liabilities established for the year 2011 were found to be inadequate.

As a result of the 2011 insufficiency, the Consulting Actuary concluded in the prior examination that claim reserves and liabilities had been understated by approximately $2.3 million as of December 31, 2011. Consequently, in the prior examination, the Consulting Actuary recommended that the Company should use methodologies and procedures that produce adequate claim reserves and liabilities for accident and health business. The Company indicated that the 2011 understatement was attributable to the assumed reinsurance business from ALICO. It was also stated that the understatement for 2011 was due to the method used which was to simply take the ceded information as reported by ALICO and use this as the Company's assumed amounts. Based on analysis performed for the 2012 examination, the Consulting Actuary concluded that the reasons for the 2011 understatement had been addressed.

The Consulting Actuary reconciled the Contract claims: Accident and health ceded liability of $4,288,009 to the amount reported on line 1499999, column 7 of Schedule S - Part 2 (reinsurance recoverable and paid and unpaid losses) in the December 31, 2012 Annual Statement. The two amounts differed by $75,800. As previously noted, there was a similar difference associated with the amount reported in Exhibit 8 on account of life products. Since the two differences net to zero, and the total numbers reported are correct, the Consulting Actuary did not investigate this any further.

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 the 2011 understatement.

In consideration of the above, the Consulting Actuary concluded that the trends indicated a reasonable pattern. Annual Statement instructions state that contract claims incurred on or prior to December 31st of the statement year, but not reported to the company until after that date, are to be reported in Exhibit 8 and that the liability for unaccrued benefits is 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 this would not have any financial ramifications.

Based on the above discussion and analysis, the Consulting Actuary concluded that total claim reserves as reported on Page 3, Line 4.2 and in Exhibit 8 of the 2012 Annual Statement appears fairly stated, and has been accepted for examination purposes.

SUMMARY OF RECOMMENDATIONS

1. It is 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. (Intercompany Agreements, page 18)

2. 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. (Accounts and Records – Accounts and Records Findings - Reinsurance, page 30)

3. It is 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. (Accounts and Records – Accounts and Records Findings - Reinsurance, page 31)

4. It is 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. (Notes to Financial Statements – Liabilities – General Account – Asset Adequacy Analysis, page 41)

5. It is 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. (Notes to Financial Statements – Aggregate reserves for accident and health contracts, page 46)

6. 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 50)

CONCLUSION

The following schedule shows a comparison of the results from the December 31, 2012 examination to the December 31, 2011 Annual Statement, with changes between:

Description	December 31, 2011	December 31, 2012	Increase (Decrease)
Assets	$ 135,816,257	$ 128,725,982	$ (7,090,275)
Liabilities	$ 84,462,602	$ 74,122,191	$ (10,340,411)
Common capital stock	2,500,000	2,500,000	0
Gross paid in and contributed surplus	35,960,036	35,960,036	0
Unassigned funds (surplus)	12,893,619	16,143,755	3,250,136
Total Capital and Surplus	51,353,655	54,603,791	3,250,136
Total Liabilities, Capital and Surplus	$ 135,816,257	$ 128,725,982	$ (7,090,275)

Note: The balances reported for December 31, 2011 do not reflect the results of the financial examination performed as of December 31, 2011.

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
Examiner-In-Charge
State of Delaware
Northeastern Zone, NAIC