

ORGANIZATIONAL EXAMINATION
OF
DELAWARE LIFE AND ANNUITY COMPANY
AS OF
MARCH 31, 2023

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION
OF
DELAWARE LIFE AND ANNUITY COMPANY
AS OF
MARCH 31, 2023

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

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

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

A handwritten signature in blue ink, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 23 day of May, 2023

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April 18, 2023

Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street, Suite 101
Dover, DE 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Examination Certification No. 23.902, dated March 13, 2023, an Organizational Examination has been conducted of

Delaware Life and Annuity Company

hereinafter referred to as DLAC or the Company. The Company was incorporated under the laws of the State of Delaware as a stock life and annuity insurance company.

The Company's registered agent is The Corporation Trust Company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801. The Company's administrative office address is located at 1601 Trapelo Road, Suite 30, Waltham, Massachusetts 02451.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Company's application for a life and annuity insurer Certificate of Authority in the State of Delaware. The

Company's corporate records, records applicable to and attendant with its application, as well as financial data as of March 31, 2023, have been reviewed.

HISTORY

The Company was incorporated on November 15, 2022, under the laws of the State of Delaware and the incorporation documents were filed with the Delaware Secretary of State on November 15, 2022. The Company is authorized to issue three thousand (3,000) common shares with no par value per share. The Company originally issued a capital stock certificate (#1) to Delaware Life Insurance Company (DLIC), a Delaware domestic life insurance company, on November 16, 2022, for one hundred (100) common shares for consideration of \$300,000. The Company's capital accounts as of this organizational exam report date are as follows:

<u>Certificate</u>	<u>Shares</u>	<u>Date</u>	<u>Capital</u>	<u>Gross Paid In and Contributed Surplus</u>	<u>Total</u>
#1	100	11/16/2022	\$300,000	\$22,700,000	\$23,000,000

MANAGEMENT AND CONTROL

Board of Directors

In accordance with its by-laws, adopted November 16, 2022, the business and affairs of the Company shall be managed by a Board of Directors (Board). The number of directors shall be not less than three and may be fixed or changed from time to time by resolution of the stockholders or Board. The directors are to be elected at the annual meeting of the Company's stockholders and shall hold office until his or her successor shall be elected and qualified. By written consent of the Board on November 16, 2022, the number of directors was fixed at three until further resolution of the Board.

The directors serving as of the examination date were as follows:

Dennis A. Cullen
David E. Sams, Jr.
Curtis P. Steger

Committees of the Board of Directors

An Audit Committee of the Board was established on March 29, 2023. The members of the committee are as follows:

Dennis A. Cullen, Chairman
David E. Sams, Jr

Officers

In accordance with its by-laws, the officers of the Company shall be a Chief Executive Officer, President, Treasurer, Secretary and any such other officers as desired by the Board, who shall hold office until their successors are chosen and qualified or until their earlier resignation or removal. The officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Daniel J. Towriss	Chief Executive Officer and President
Michael S. Bloom	Secretary
John "Jack" J. Miceli, Jr.	Treasurer
Michael S. Bloom	Chief Legal Officer
Andrew F. Kenny	Chief Investment Officer
Ellyn M. Nettleton	Chief Accounting Officer
Robert B. Stanton	Chief Operating Officer
Fang L. Wang	Chief Financial Officer

The Company completed the National Association of Insurance Commissioners (NAIC) Form 11 - Biographical Affidavit for the directors and officers noted above.

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective November 30, 2022.

A conflict of interest statement was completed by each of the directors and executive officers noted above. No potential conflicts of interest were noted.

HOLDING COMPANY SYSTEM

At formation, the Company became a member of an Insurance Holding Company System. 18 *Del. C.* §5001(3) states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote or holds proxies representing 10% or more of the voting securities of any other person.”

The Company is a wholly-owned subsidiary of DLIC, which is a wholly-owned subsidiary DLIC Sub-Holdings, LLC which is a wholly-owned subsidiary of DLIC Holdings, LLC, which is a wholly-owned subsidiary of Group 1001 Insurance Holdings, LLC (Group 1001). Mark R. Walter (Mr. Walter), an individual, is the ultimate controlling person of the Company.

FIDELITY BOND

The Company is covered under a financial institution bond effective August 2, 2022 issued to Group 1001 and covering certain of its subsidiaries, with a single loss limit of \$10,000,000, an aggregate liability limit of \$20,000,000 and a single loss deductible of \$250,000. Based on the Company’s pro forma information submitted by management, the minimum suggested coverage per the NAIC *Financial Condition Examiners Handbook – Exhibit R* is \$350,000 at year-end 2023, \$800,000 at year-end 2024 and \$1,000,000 at year-end 2025.

AGREEMENTS

Affiliated

As of the examination date, the Company is not a party to any affiliated agreements. Upon licensure, the Company intends to enter into the following affiliated agreements: Administrative Services Agreement with DLIC which will provide the Company with professional staffing for

financial, legal, compliance, investment, human resources, information technology, administrative and other operational support functions; Distributor and Principal Underwriting Agreement with Clarendon Insurance Agency, Inc. (Clarendon); Master Agency Agreement with Delaware Life Marketing, LLC (DLM). The Company may become a party to an affiliated Tax Allocation Agreement with DLIC and its affiliates upon licensure. Affiliated agreements require a Form D filing and approval by the appropriate regulatory authorities prior to becoming effective.

Unaffiliated

As of the examination date, the Company is a party to a custodial agreement with JP Morgan Chase Bank, N.A. (JP Morgan Chase Bank) effective January 25, 2023. The custodial agreement is required to contain the NAIC minimum safeguard clauses.

TERRITORY AND PLAN OF OPERATION

Territory

Once licensed in Delaware, the Company intends to become licensed in other U.S. States.

Plan of Operation

DLIC has a long history of issuing, administering and managing fixed and variable annuities through a variety of distribution channels, including independent marketing organizations, banks and broker-dealers. With the formation of the Company, DLIC plans to grow sales of registered index linked annuity (RILA) contracts and other variable annuity products through existing bank and broker-dealer relationships supported by its affiliates, DLM, a licensed insurance agency and Clarendon, a registered broker-dealer. DLM and Clarendon have established relationships with banks and broker-dealers focused on selling retirement savings products. Over the past several years, these distributors have gravitated towards selling accumulation-focused products with a particular emphasis around simplicity. The Company's planned RILA product will meet this accumulation focus.

The Company's planned RILA contract, to be filed with the U.S. Securities and Exchange

Commission (SEC), will be an individual deferred variable annuity contract with equity index options. The RILA will offer multiple “strategies” for the calculation and crediting of interest, positive or negative. Any positive interest will be paid by DLAC and is subject to its claims paying ability. DLAC will offer two general types of interest crediting strategies: (i) a fixed interest strategy, which will be based on a fixed interest rate and (ii) one or more indexed strategies, which will calculate interest taking into account the performance of one or more market indices. The Company will calculate and credit interest with a frequency that depends on the term of the crediting strategy selected by the contract owner (e.g., annually). Because RILAs are regulated as securities under the federal securities laws, DLAC intends to register its planned RILA with the SEC.

REINSURANCE

The Company has no current plans to obtain reinsurance.

CAPITAL AND SURPLUS REQUIREMENTS

18 *Del. C.* §511(a) requires \$300,000 as the minimum common capital stock and \$150,000 as the minimum gross paid in and contributed surplus for a stock life and annuity insurance company. Consequently, the minimum required amounts for this examination are as follows:

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

FINANCIAL DATA

The financial position of the Company as of March 31, 2023, as determined by this organizational examination, was as follows:

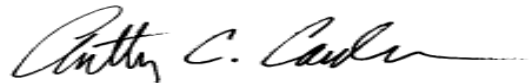
<u>Assets</u>		<u>Note</u>
Bonds	\$ 1,909,151	1
Cash, Cash Equivalents and Short-term Investments	<u>21,098,168</u>	2
Total Admitted Assets	<u>\$23,007,319</u>	
 <u>Liabilities, Capital and Surplus</u> 		
Current federal and foreign income taxes	\$ 1,537	
Total Liabilities	<u>\$ 1,537</u>	
Common Capital Stock	\$ 300,000	
Gross Paid In and Contributed Surplus	22,700,000	
Unassigned Funds	<u>5,782</u>	
Capital and Surplus as Regards Policyholders	<u>\$23,005,782</u>	
Total Liabilities, Capital and Surplus	<u>\$23,007,319</u>	

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully submitted,



Andrew E. Chiodini, CFE
Examiner In-Charge
Delaware Department of Insurance



Anthony Cardone, CFE, CPA
Supervising Examiner
Delaware Department of Insurance

Delaware Life and Annuity Company

I, Andrew E. Chiodini, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 23.902.

A handwritten signature in black ink, appearing to read "Andrew E. Chiodini". The signature is fluid and cursive, with a prominent initial "A" and a long, sweeping underline.

Andrew E. Chiodini, CFE